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EDITORIAL

As We See It

At three points Congress is now faced with the duty, not to say the necessity of making important changes in the laws governing borrowing by the Treasury. So extensively has Congress—sometimes with the blessings of the Administration and sometimes without them—launched one spending program after another that the Treasury can not avoid further substantial increases in the national debt, increases which are not available under existing ceiling legislation. The rates paid on savings bonds have for a good while been out of touch with realities, leaving their sale dependent upon emotional appeals, or at the worst appeals to those too ignorant of current conditions to know that they could do much better elsewhere. Finally, legislation long on the statute books of the nation limiting the interest rate which may be paid on the longer term issues of the Treasury has now become a real burden with money rates in general so much higher than they used to be.

Two of these statutory provisions, the upper limit on the amount the Treasury is permitted to borrow and the ceiling on rates of interest that may be paid, are both born of gross misconceptions or political considerations stemming from foolish popular conceptions of interest rates. Neither should ever have been placed on the books, and the sooner they are repealed the better. Obviously, if the national government wishes to continue to draw funds from the multitude of small savers throughout the nation, it

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SEC on Callable Utility Issues And Deferred Tax Credits

By EDWARD N. GADSBY*

Chairman, Securities and Exchange Commission

SEC head pointedly reinforces arguments supporting "free refundability" policy and announces that the Dec. 30, 1958, proposed removal of deferred tax credit as part of equity capital is still under advisement. Says recent studies reveal no significant cost or market-acceptance differences of callables *versus* non-callables, and claims rights of investors, nevertheless, are safeguarded in other compensating ways. As to deferred tax accounting question, he intimates what the decision may be in noting registered holding company systems are increasingly classifying accumulated credits outside of the equity capital category. Chairman calls on state public utility commissions to adopt a parallel redemption policy, and solicits their cooperation and advice as to proper deferred tax credit treatment.

In view of the increasing importance of public utility financing, and since this field involves many aspects of joint interest to the Federal regulatory bodies in general and our own agency in particular on the one hand and the state commissions on the other, it seems particularly pertinent to discuss the jurisdiction of our Commission in general and especially to touch upon two particular problems of current mutual interest, with respect to which we have either taken action or may take action in the near future. These two problems are the Commission's policy with respect to the free refundability of bonds issued by public utility companies subject to the Public Utility Holding Company Act of 1935, and the considerations governing the balance-sheet treatment to be given to the accumulated credits arising from deferred tax accounting in

Edward N. Gadsby

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*An address by Mr. Gadsby before the Mountain-Pacific States Conference of Public Service Commissions, San Francisco, May 27, 1959.

It Is Not Too Late to Return to Economic Sanity

By GUENTHER C. WIEGAND

Professor of Economics, Southern Illinois University
Carbondale, Illinois

When our indebtedness increases 6% a year and output gains 4% and if, ignoring debt, average real per capita income advances 0.25% a year and not the much vaunted 5% desired, then it is time to examine aspects of our economy which cause concern. This Dr. Wiegand does in excoriating what he considers are: "defunct economic ideas" inherited from the depression years; ruinous public spending practices; and improper business-labor wage setting formulas. Convinced that it is not politically impossible in a democracy to state the facts and to ask the public to take a correct prescription for economic sanity, the author offers his own program to translate productivity into lower prices, limit wage increases, and end waste in government.

The United States has enjoyed almost continuous prosperity since the end of the war. Hourly wages in manufacturing industries and personal income in general have more than doubled; the Gross National Product has increased about 110%; stock market prices, industrial production, retail sales and even employment are at record levels. In short, most statistical indices point to a high degree of prosperity.

G. C. Wiegand

Actually the economic growth since the end of the war has been far less spectacular than the figures just cited might indicate. If allowance is made for the 30% depreciation of the dollar and the fact that the population grew from 141 to 175 million, the real income of the average American has increased on an average only about 0.25% a year since the end of the war, while some politicians and labor leaders demand that the growth rate should be 5%. The original draft of the Democratic Platform of 1956, for instance,

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PICTURES IN THIS ISSUE—Candid photos taken at the Annual Field Day of the Bond Club of New York on June 5 appear in today's PICTORIAL SECTION.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

Oxford Paper Company—George C. Astarita, of Boettcher & Co., Colorado Springs, Colo. (Page 2)

Cross Company (The) — William H. Kenner, Research Dept., A. C. Allyn & Co., Chicago, Ill. (Page 2)

GEORGE C. ASTARITA
Boettcher & Company,
Colorado Springs, Colo.
Members: New York Stock Exchange and American Stock Exchange (Assoc.)

Oxford Paper Company

Oxford bespeaks quality in its products, management and assets. Many types of paper products are produced including book, magazine, commercial and printing papers. Outstanding are "North Star" coated papers developed late last year and termed by the company as "the greatest advance in printing papers in more than 20 years." They constitute a complete line of top-quality coated papers produced by the new trailing blade process which enables the production of printing paper for letter press, offset and gravure with a levelness of surface heretofore unequalled by conventional coating methods. Heavy supercalendering is no longer necessary and, therefore, superior printing qualities are obtained. Nationwide advertising of this product attests to its importance in the trade. These papers afford economies for users and cost no more than older and less satisfactory types. In passing it may be remarked that this is but one of many progressive developments to come from an active and large-scale research department.

George C. Astarita

Carbonless paper introduced last year is another new product possessing promising possibilities. This product has extensive application in the growing fields of credit cards and operations connected with automation of business processes. Interest in the item is already considerable and IBM is among the purchasers of this product.

During the past decade sales have advanced from $37,288,000 to $62,783,000 last year. For the first quarter of 1959 sales were 20% ahead of the same period last year. A new record will undoubtedly be set this year as the result of several factors. In May, 1958, the National Geographic Society paper mill at Lawrence, Mass. was purchased and all the society's requirements will be met and other customers will consume the remaining 60% capacity of this plant. This will be the first full year of operation for the important new North Star Coater. New products will also contribute to the expected sales expansion for 1959. A projected three-year expansion program of manufacturing facilities enhances prospects for continued sales expansion in the future.

Prior to the recession of 1957-58 Oxford set a rather unique pattern for the growth of both pre-tax and net earnings. As a percentage of sales the pre-tax figure increased from roughly 8% in 1949 to 15% in 1956. Net income for the same period increased from 5% to 7½%.

The years 1957 and 1958 did not measure up to this favorable trend. Higher labor costs and less than capacity operations for both the industry and the Company contributed to price competition and served to lower profit margins. Start-up costs of new facilities and introductory expenses for new products added to Oxford's burdens in these years.

First quarter results for 1959 continued to reflect these conditions despite a sizable expansion of sales. Net income for this period was 43 cents versus 58 cents reported for the same period last year. For 1959 as a whole, however, the President forecasts an improvement in earnings above the $2.13 per share reported for 1958. The Lawrence Mill has not yet contributed to earnings and losses are still being sustained on some new products.

Expansion of production facilities, increased operating efficiency and the introduction of new products, together with looked for better industry conditions, should serve to restore Oxford's favorable profit margins in coming years. Record earnings of $5.43 per share established in 1956 would appear to be an intermediate objective with the probability of still higher earnings in the future.

Capitalization consists of:

4% serial debs. due 1960-72		$10,200,000
4¾% conv. debs. due 1978*		10,000,000
4½% mtge. note due 1962-73		3,127,500
5% pref. stock	101,434 shs.	10,143,000
Common stock	1,006,434 shs.	

*Convertible into common stock starting at $38 per share and ranging up to $45 per share. A maximum of 263,158 shares is reserved for conversion and if issued prior to Oct. 1, 1963 would produce a potential dilution factor of approximately 20%.

Net working capital amounts to $15,743,070. Cash and marketable securities exceed total current liabilities by more than $1 million. Not included in current assets are $8.5 million of marketable securities reserved for expansion purposes. Book value of the common stock equals $44.82 per share.

During 1956 and 1957 the common stock paid $2 per year in dividends. Adverse industry conditions and the need for retention of cash for capital improvements dictated a reduction to a $1 dividend basis in 1958 (plus 1% in stock) which rate has been carried over into 1959. Reestablishment of the $2 basis and a still more liberal dividend in the future will have to await fulfillment of earnings expansion now in prospect.

Oxford occupies a firm position as a well integrated factor in the growing paper industry. Its future growth appears assured as the result of recent production and new product developments and expansion plans for years to come. Better than average profit margins have been recorded in the past and a return to such profitability appears in prospect. Available at a substantial discount from book value (current price of 34 on the New York Stock Exchange versus 51 in 1956) the stock merits a strong recommendation for growth portfolios.

WILLIAM H. KENNER
Research Department
A. C. Allyn & Co., Chicago, Ill. Members: New York Stock Exchange, American Stock Exchange and Midwest Stock Exchange

The Cross Company

From the standpoint of investors seeking long-term capital gains, The Cross Company stands out in several respects. First, it provides a vehicle for participation in the further automation of industry; secondly, it has high profit margins resulting in high earnings on net worth; thirdly, it plows back all of its earnings, thus compounding them at a high rate.

Wm. H. Kenner

Cross is no ordinary manufacturer of machine tools. Rather, it is engaged in the conception, design and engineering of complete manufacturing systems and the building of the concomitant machinery necessary to make such systems viable and functionable. The company's wide line of Transfermatics probably constitutes the furthest penetration of the industrial frontier by the concept of automation. The company's end production includes machine complexes up to 1,300 feet in length, capable of completely machining a V-8 automobile engine block. Machines of this scope and size became practical only through Cross' development of the concept of "sectionized automation," with the automatic transfer and positioning of the product from one work station to the next. This, in turn, became feasible only through the company's development of its machine control unit, including the patented "Tool-O-Meter." Prior to these innovations, the necessity of shutting down a complete machine or production line to effect repairs or changes in specifications precluded the development of such complex machinery and constituted a technological barrier to the further progress of automation.

Today, Cross' chief customer is the automobile industry, which accounts for about 60% of sales. Other large customers include the farm equipment, air conditioning, and diesel engine industries. In addition to its manufacturing activities, Cross also conducts an industrial engineering and management consulting service, which accounts for about 5% of revenues and provides it with ample opportunities to develop new systems. Actually, all mass production industries are potential customers, especially in view of Cross' automation of assembling functions, as well as machining operations. The pressure of a growing population, with undue numerical concentration in the non-productive lower and higher age brackets, coupled with the tendency toward shorter working hours, and the desire for higher living standards, provides additional incentives to automate all productive processes wherever possible.

The company's present plant is capable of sustaining a sales volume of $25,000,000. Based upon historic profit margins of 20% to 25% before taxes, such sales could result in earnings of $4 to $5 per share on the present capitalization. Future earnings could be enhanced substantially by the earnings of a foreign subsidiary now in formation. Historically, Cross has earned 25% to 40% on net worth in all but depressed

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Blueprint for Economic Growth And a Public-Private Policy Guide

By DR. RAYMOND J. SAULNIER*
Chairman, President's Council of Economic Advisers
Washington, D. C.

Economic adviser to the President forecasts $700 billion GNP in 1959, at today's prices, which means a 4% average annual GNP gain compared to the 3% rate achieved since World War I. Among the assumptions upon which this is postulated is that we will create new jobs three times faster than in recent years without impairing our productivity advance. This in turn is said to depend upon maintenance of a stable price level so as to encourage savings-investment, and a government to set an example so that the public and the private sectors together make a signal contribution to end inflation, achieve economic growth and, thus, reach proper solution to broad problems of public and private policy. Dr. Saulnier rebuts creeping inflation thesis, and summarizes our past performance and factors explaining it.

There are a good many questions to which I might properly address myself in my remarks, but of these none is more important or more interesting than those which involve the growth of our economy and the improvement of our economic welfare. How fast has our economy grown in the past? How fast may we reasonably expect it to grow in the next decade? And what kinds of public and private policies should we pursue to realize our potential for growth?


Dr. R. J. Saulnier

It is not surprising that these questions have captured the attention and aroused the concern of thoughtful Americans in recent years. The capacity of our country to increase its annual output is the key to our ability to achieve sustainable improvements in our levels of living. It is the means for enlarging our capacity to make further improvements in living standards in the future and to strengthen our national security without the impairment of current consumption. And it is essential for the maintenance of the vigorous leadership which we now provide for the free and uncommitted parts of the world and for the strengthening of this role in world affairs in the years ahead.

Favorable Growth Factors

Happily, in our nation the conditions upon which economic growth and improvement depend have been and continue to be unusually favorable. We have rich and abundant natural resources. We have an able and industrious people. We have a broad domestic market, in the main unhampered by internal barriers to trade. We have an acknowledged talent for devising new and better ways of doing things, and the competitive conditions and keen competitive spirit that assure their being promptly adopted. We have a will to strengthen our economy and to improve our economic welfare. And, above all, we have a political and economic system that is congenial to the exercise of initiative and the expenditure of great effort in behalf of self advancement.

It is no wonder that, with these favorable conditions, our nation's economic achievements have been unparalleled. Americans have good reason to be proud of the advances that have been made under their free economy and that serve as a standard for the aspirations of other nations of the world. Let me briefly review the record of what has been accomplished.

To do this, I shall use figures of Gross National Product, commonly called GNP. These figures show the nation's annual output of consumer goods and services, including new homes; of machinery and equipment of all sorts; of commercial and industrial facilities and all other types of building and construction, public as well as private; of additions to inventories in the hand of business concerns; of goods and services purchased and utilized for national security and other purposes by Federal, state and local governments; and the net difference between the goods we ship out of this country and those we receive from other nations. In short, GNP represents, in a single number, and in a nonduplicative aggregate, our best estimate of the money value of our economy's total annual output. Measured in constant dollars, GNP is, despite certain inherent deficiencies, the most commonly used index of economic achievement.

Reports Annual Growth at 3.7%

Based on what we know about the increase of GNP over the last century or more, one's leading impression is that economic growth in the United States has gone forward at a very good rate. Recent estimates place the average annual increase in GNP over the last 120 years at 3.7%. This is equivalent to saying that over this

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*An address by Dr. Saulnier before the Flint Chamber of Commerce, Flint, Mich., June 2, 1959.

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Observations . . .

By A. WILFRED MAY

BORROWER VERSUS LENDER IN TODAY'S MARKET

The present interval of money stringency is highlighting anew the abuse entailed in the Call provision in bond indentures; namely the arrangement whereunder the borrower is afforded the unilateral privilege of cancelling the contract before its termination. Most timely and important in its bearing on controversial aspects of the question is last week's offering by the Consolidated Edison Company of $75 million of 5⅛% Bonds due in 1989, thus affording a generous high-grade yield of over 5%. This issue's identure, following the company's adamant insistence, contains an unlimited Call privilege giving the borrowing company the option of refunding it, either in whole or in part, at varying premiums, at *any* time, on at least 30 days' notice.

A. Wilfred May

The unrestricted redemption feature of this issue, without any interval of protection, typifies practice that is on the increase (the previous Consolidated Edison issue of 1957 gave 5-year protection against calling). The course of the new issue during and after the current high cost additional evidence to the master study of the Call privilege being conducted by Dean Winn and Professor Hess at the Wharton School, under the sponsorship of the Life Insurance Association of America. Now nearing completion, the study's preliminary findings have been eliciting the attention of the SEC. Future public discussion of the published study should importantly clarify the issues along with lessening the non-professional buyer's indifference to the question.

Some Implications of the New Offering

The pricing and yield of the current Con Edison financing gives practical evidence invalidating one of the main arguments advanced to justify the Call feature, namely that it does not require a higher borrowing cost than do issues without the privilege. Inquiry among some large institutional investors discloses that there was considerable walking-away from the offering of this high-yielding issue because of the Call feature. Some of the abstainers have told us that if the issue had been free of the borrower's option to boot them out with the return of cheaper money, they would have been willing to come in on a coupon lower than the 5⅛% tag affixed. The pension funds, in particular, are taking a stand against inclusion of the Call feature. So, at least in some important sectors does a call without protection entail a rise in the borrowing cost.

Buyers of the Con Edison issue included some in a so-called "Trapped market" in that they have funds pressing for investment in a high-grade industrial or utility; some directly lured from lower-yielding Governments; and a good sprinkling of unsophisticated investors who do not realize the true implications of the inequitable refunding provision.

For the Protection of the Investor

We hold that the SEC, in accordance with its basic reason for existence, should protect the investor, as in the last-named group. Instead, the Commission follows the policy of affirmatively favoring the Call privilege, thus protecting the corporate borrower in lieu of the investor lender; and in the case of the utilities over which it has jurisdiction insists on its inclusion under its alleged obligations to protect the power consumer. Apart from the question of which of the two community groups, consumer or investor, is entitled to the SEC's protection, the consumer will in any event get looked after by the various State regulatory agencies.

It is difficult for this observer to understand how the Call option unilaterally possessed by the borrower—and hence establishing a one-way street—can be regarded as other than grossly unfair to the investing-lender. Specifically, whenever money rates decline below their present cyclically high level, the Consolidated Edison Company can on 30 days' notice return his money to the bondholding lender, borrow more cheaply elsewhere and force him to take a cut in income from his bond portfolio. This favoring of the borrower operates as the reverse of a call loan; and, moreover, of the arrangement followed by the government in its own borrowings. Not only are government obligations without a substantial Call feature; but actually, Savings Bonds and two Treasury issues (the 2½s and the 2¾s of 1962) have been giving the investor, and not the borrower, the option to end the contract well before maturity.

Inadequacy of the Premium

Those favoring the Call feature cite the fact that its penalty on the lending investor carries the offset of sizable premiums when the call is exercised. The SEC points to the fact that in the case of utilities it has adopted a rule-of-thumb formula under which the initial redemption price may not exceed the sum of the initial public offering plus the interest rate. Thus the Consolidated Edison bonds bearing a 5⅛% coupon, and offered to the public at 101.15, carry an initial redemption price during 1959 of 106.15. We would observe here that the SEC prescribes a maximum premium for the benefit of the borrower, but no minimum premium for the benefit of the investor. Furthermore, any protection afforded by the premium scale is superseded by the fact that the borrower only exercises his privilege of refunding after finding it advantageous to pay the cost of the premium.

One-Way Flexibility

The defenders of the Call system maintain that the objectors over-emphasize the factor of money-cost changes, and overlook the corporate need for flexibility in its borrowing — as perhaps prompted by unexpectedly large or early accumulation of earnings. But the point disregards the fact that the lending investor too is stripped of flexibility which would also be advantageous to him. The corporation, like the bondholder, can find other investing outlets for its surplus funds should it be unexpectedly so "caught."

In defending Call policy, SEC Chairman Gadsby points out that indentures contain other provisions which, as offsets, protect investor rights — as restrictions against the issue of additional bonds and the distribution of excessive dividends. But justifying Call abuses because of compliance with fair play in other directions, is akin to claiming the right to steal a man's wife because you haven't robbed his house.

The coming publication of the Wharton School Study assuredly will fully merit the authoritative consideration and broad discussion which is in store for it.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Construction contracts in the United States in April totalled $2,778,419,000, setting a new high for any April, and a new all-time high for any month when allowance is made for seasonal influences, according to F. W. Dodge Corporation.

The new Dodge Index of Construction Contracts, just released for the first time, reached 299 in April. According to George Cline Smith, Dodge Vice-President and economist, this was the all-time high for the index, which has been computed for each month from January 1947 to date.

The previous high point of the index, which uses the 1947-49 period as its base of 100, was 297 in June 1958.

"While the index remained high last summer," Dr. Smith said, "it fell to a low point in February. In March it climbed sharply to 277, and it has now gone above the record high it reached last summer."

Virtually every type of construction gained in April, Dr. Smith said. Particularly encouraging, he noted, were big increases in contracts for schools and factories, two large categories of non-residential building which had been lagging earlier in 1959. Manufacturing building contracts in April were up 46% from April of last year, and school contracts were up 15%.

Total construction contracts in April, at $3,778,419,000, were 31% above the April 1958 level.

Contracts for non-residential buildings in April amounted to $1,187,200,000, up 24% from a year ago. In addition to the increases in contracts for manufacturing buildings and schools, all other major non-residential building types also scored impressive gains over the like 1958 month.

Residential building contracts in April were valued at $1,830,-787,000, an increase of 48% over April 1958. Here again, all major building types rose substantially, sparked by large gains in apartments and single family homes. The number of dwelling units represented by the April contracts totalled 141,370, up 44% over a year ago.

April contracts for heavy engineering construction totalled $760,432,000, a gain of 11% over the same month last year. Within this category contracts for public works were up 16%, with most of the increase accounted for by a rise in highway contracts. Utilities were down 8% from a year ago despite a sharp gain in contracts for electric light and power systems.

The cumulative total of contracts for the first four months of 1959, with percentage changes from the comparable 1958 period are as follows: non-residential building at $3,606,955,000, up 6%; residential building at $5,453,863,000, up 43%; heavy engineering at $2,641,556,000, up 11%; and total construction at $11,702,374,000, up 22%.

Nationwide Bank Clearings Down 5.2% From 1958 Week

Bank clearings this week will show a decrease compared with a year ago. Preliminary figures compiled by the "Chronicle" based upon telegraphic advices from the chief cities of the country, indicate that for the week ended Saturday, June 6, clearings for all cities of the United States for which it is possible to obtain weekly clearings will be 5.2% below those of the corresponding week last year. Our preliminary totals stand at $24,012,733,559 against $25,318,892,553 for the same week in 1958. Our comparative summary for the principal money centers follows:

Week Ended June 6—	1959	1958	%
New York	$12,779,719,261	$14,336,275,657	+17.8
Chicago	1,147,875,185	1,234,075,357	— 7.0
Philadelphia	1,098,000,000	1,115,000,000	— 1.5
Boston	743,922,127	701,919,701	+ 6.0

Still a Chance Steel Strike Will Be Avoided

Even though it appears to be a slim one, there is still a chance of a steel labor settlement without a strike, according to "The Iron Age," national metalworking weekly.

"Iron Age" said this week there is reason to believe the steel union will be far more realistic in its final position than it has been to date. As of now, the union is pressing for a "substantial" wage increase and a costly betterment of so-called fringe benefits.

At the same time, the metalworking weekly warned that if a steel strike is to be averted, David J. McDonald, steel labor chief, will have to demonstrate his "flexibility" by a genuine non-inflationary offer to the steel companies.

This time, said "Iron Age," it is Mr. McDonald's move—a direct contrast to other years when the industry was over the barrel. Steel management has no intention of being maneuvered into that position. It is ready to take a beating before it will agree to an inflationary wage increase—that is, an increase that would force a rise in steel prices.

In line with its belief that the outlook has improved, however slightly, the magazine asserted that a month ago the odds for a long strike were about 8 to 2; today, they are 6 to 4 in favor of a short shutdown—a sort of "token" strike to prove that the steel workers are behind their leadership.

"Iron Age" said that any attempt by Mr. McDonald to work on a day-to-day basis without a contract or to strike some companies and let others operate would seem to be a bad gamble. But a short strike followed by a non-inflationary settlement can hardly be ruled out.

Meanwhile, said "Iron Age," the belief is growing that while steel users won't have as much steel in stock by June 30—labor contract deadline—as had been expected, most of them will be in good shape.

The magazine added that there is a lot of frantic maneuvering going on among steel users who are afraid to be caught short if there is a strike, and many of them have good reason to be worried.

Still, there's little doubt that more steel is being shipped by the mills than is being used—despite the pickup in the economy.

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McDonnell, Adams Co. Formed in Toronto

TORONTO, Canada — McDonnell, Adams & Co. Limited has been formed with offices at 330 Bay St. to deal in investments. Officers are Edmund J. McDonnell, President, and Nevin R. Adams, Vice-President. Both were formerly officers of Intercity Securities Corporation Limited.

Estabrook & Co. to Admit Two Partners

John K. Gurney and Richard Morgan on June 30 will become partners in Estabrook & Co., members of the New York and Boston Stock Exchanges. Mr. Gurney will make his headquarters in the firm's New York office, 40 Wall St. Mr. Morgan will be located in the Boston office, 15 State St., of which he is manager of the stock department.

Commercial Bank Investing Under Recent Conditions

By CRAIG S. BARTLETT*
Senior Vice-President, The Hanover Bank, New York City

Advice regarding commercial banking investments is given by a top New York banker as part of his views on Treasury plans and problems, Federal Reserve policy, and loan and investment portfolio principles and practical considerations. Mr. Bartlett doubts Treasury can "sit around" with present bond ceiling rate of 4¼%; expects Treasury for rest of 1959 to borrow $8-10 billion in cash and roll-over $8.9 billion and, thus, sees no early or sustained recovery in bond prices; and concludes that the fiscal and monetary authorities are in a dilemma because of Federal deficits and need to prevent inflation. Turning to commercial banks' investment policies, the banker: (1) foresees higher short-term Treasdry rates conducive to building-up secondary reserves; (2) cautions against being "locked-in" as seasonal loan expansion arises in a few months; (3) suggests 52% income tax bracket banks to consider tax-free securities for their investments; and (4) urges banks to place themselves in an impregnable position to supply short-term credit needs of the 1960s, to leave the fluctuations of bonds to the capital market and to not over-extend themselves in their "surplus funds investments." He scoffs idea we will embrace creeping inflation as a way of life.

Last spring many economists forecast a business recovery toward the end of 1958, and still others did not anticipate any real upturn before spring of 1959. The fact of the matter is that the low of the recession was made in April of 1958, when the Federal Reserve Board Index of Industrial Production was 126. Since then it has advanced to a level of 147 (March), one point above the pre-recession peak. It is higher now, possibly 150-152. Quite obviously, the improvement in business conditions came much sooner and was much stronger than most anticipated. Large government spending, government aid to housing, and increased personal incomes were important factors in the improvement that has been witnessed. Pessimism has turned to optimism in many areas, and there is no question but that the recent recession served to develop more efficiency, better management and, in many instances better profits.

Craig S. Bartlett

Private capital expenditures are improving. McGraw-Hill figures are quite favorable although consumer purchases of durable goods are below both 1956 and 1957. While inventory liquidation has run its course, unemployment is still high, it is unfortunately spotty and seems likely to remain a problem. There is some indication that the new automobile models are being better received, but there is little likelihood of achieving a sales volume equal to 1955 or even 1956. Foreign competition is a real factor. Housing starts are at the rate of 1,390,000 per annum, a pace not much below the peak housing year of 1955.

But there are some unfavorable factors, too. The fear of inflation appears strong and is reflected in high equity prices. Price-earnings ratios are high and dividend yields appear out of line with bond yields. Bond prices, especially in the U. S. Government list, appear to be on the bargain table. Perhaps excesses are reflected in both markets, but in opposite directions.

*An address by Mr. Bartlett before the South Carolina Bankers Assn. Convention, Greenville, S. C., May 15, 1959.

The International Situation

Even as there is confusion in the domestic economic situation, there are assuredly disturbing influences in the international sphere. To be sure, there have been some encouraging developments in France, but the situations in the Middle East and the Far East are far from stable, and certain it is that a Berlin crisis could produce far-reaching serious consequences. Our military forces are serving in many areas throughout the globe, and military expenditures *must* remain high under the circumstances. Federal and State taxes are high, and there would appear to be little likelihood of much relief from taxes for either corporations or individuals.

Federal Reserve Policy

What can we say about Federal Reserve policy and its influence upon the money market? In the first half of 1958 excess reserves exceeded Member bank borrowings and net free reserves averaged about $500 million (on the positive side). Even as late as the week ended July 23, the free reserve position of the Member banks amounted to $703 million with the four-week moving average almost $600 million.

Since the end of July, however, net free reserves have declined sharply. From Christmas until near mid-February, the objective apparently was to keep Member banks in a small net borrowed position, and since then, the aim seems to have been to keep their net borrowings around $150 million to $200 million.

Currently the four week moving average shows a net borrowed position of $245 million, whereas a year ago there was a positive position of $471 million. Increases in the discount rate from 2½% to 3% were announced by the 12 Federal Reserve Banks in March. Such increase was largely in the nature of a delayed recognition of changes that had already happened in the money market. For some time yields on Treasury bills had been in excess of the discount rate of 2½%. Probably an increase in the discount rate would have been made sooner had it not been for Treasury financing operations and unemployment conditions.

These changes indicate a policy on the part of the Federal Reserve of gradually shifting toward a somewhat greater degree of restraint. In moving toward somewhat increased restraint, the Federal Reserve has been actuated primarily by a desire to contribute, to the best of its ability, to the prevention of further inflation. This seems clear from a statement that Chairman Martin of the Federal Reserve made to the Joint Economic Committee of Congress on Feb. 6. In this statement he said, in part:

"Currently there is widespread concern about the danger of renewal of inflationary trends. The Federal Reserve shares that concern. To point to dangers in this situation is not to forecast inflation. Public and private actions appropriate to present circumstances can prevent these dangers from materializing.

"Among potential inflationary factors first, perhaps foremost, is the budgetary position of the Federal Government. As the economy moves up toward more intensive utilization of its productive resources, it is essential that deficits give way to surpluses. There is no mystery about this source of danger. If the will exists, the way will be found. It clearly lies in adaptation of Federal expenditure and tax policies in order to produce a budgetary surplus in prosperous times.

"Second, there are the problems arising from the so-called cost-push inflation which is part of a spiral process stimulated by demand pressures. In the period ahead there is a strong prospect that demands will continue to expand. In these circumstances, we must recognize the dangers both of wage increases in excess of productivity growth and of price increases beyond what the traffic will bear. Business and labor leaders have a paramount responsibility to the general public as they make wage and price decisions over the coming year.

"Then there is the easy acceptance of the idea that a little inflation is not seriously harmful. The experience in the government bond market . . . is a vivid example of the influence of inflationary expectations in financial markets. To the extent that such attitudes come to be reflected in decisions on wages, prices, consumption, and investment, they help to bring about their own realization.

"These are the major reasons for concern about the possible development of inflationary pressures. To be fully aware of a danger, and to face up to it, is not to despair or to capitulate, nor does it mean being blind to other national needs, including sustained economic growth.

"The Federal Reserve System will continue to the best of its ability to contribute, so far as it can, to continuing prosperity and economic growth, *without inflation*. Such decisions as it must make within its particular province manifestly are not enough to assure attainment of the national objectives to which we all subscribe. What this Congress decides, what management, labor, agriculture and, indeed, the public generally decide to do, will win or lose the battle against debasement of the currency with all of its perils to free institutions.

"The state of the nation tomorrow — its progress and prosperity—rests with the decisions of today."

Money Supply Restraint

It seems clear that the monetary authorities consider that the money supply is adequate to take care of the normal seasonal demand for credit by business as well as the cash needs of the Treasury. It increased 9% in 1958 and recently has increased again. The Federal Reserve authorities, the Congress, and the Administration, are instructed under the Employment Act of 1946 to maintain a high degree of business activity and employment. It seems evident that the Monetary Authorities acted quickly to reverse their policy of active ease in 1958, and will not add to the money supply to the degree that boom conditions either can be generated or encouraged. They have a strong desire a maintain the purchasing power of the dollar and wish to restore confidence in the value of the currency. By increasing discount rates and by reducing the amount of free reserves, a rise in interest rates has occurred as demands for credit have increased. Thus it has been and will continue to be more costly to borrow both in the capital markets and from the banks. In turn, it is more costly for the banks to borrow from the Federal Reserve authorities or sell government securities.

The Federal Reserve Governors criticized themselves for the policy of excessive active ease that was pursued in 1954. In acting so quickly last August and September they aimed to control the inflationary forces *before* the effects of the easy money stimulus could become dangerous. Obviously, the problem of the Federal Reserve is a difficult one. With unemployment still high, very strong credit restraint may be out of the question, but it could be that the authorities envision a period of relative stability ahead of us; with a sufficient amount of money being provided for both business and the Treasury.

Growing Federal Debt

Treasury fiscal and debt management policy also has a very important bearing upon interest rates and commercial bank investment policies. The Federal debt has been growing, and its growth cannot be attributed entirely to military requirements. In recent years there have been deficits instead of surpluses. Deficit financing has been the rule, and despite high levels of business activity, the Federal Government has not seen fit to retire any substantial amount of public debt. While the Federal budget was about $40 billion in 1950—with a deficit of $3 billion—a $77 billion budget is envisioned for fiscal 1960—there is a hope it will be balanced. The unfortunate part about the 1959 budget is the fact that receipts have not kept pace with expenditures, and a deficit of $13 billion is indicated for the current fiscal year. There has been and continues to be too great a dependence upon the income tax as a source of revenue and subsidies for farmers, veterans and others continue to run heavily on the expenditure side.

As of March 30, 1958 the Federal debt amounted to $272.5 billion—it is now over $285 billion, and by June 30 it may amount to almost $288 billion, the current debt limit $283 billion—June 30. As has been demonstrated clearly recently, there is a limit to the amount of intermediate and longer dated Treasury bonds that can be absorbed by the market. Doubtless the Treasury could sell more long bonds if the interest rates were high enough, but, obviously, *if* the Treasury should absorb an important share of the real savings of the people and of the savings institutions, the capital market would be starved to the ultimate detriment of business activity and employment.

On April 1 payment was made for the important three way Treasury financing operation announced in March. Subscriptions to these offerings were large *only* because tax and loan account credit was available—the Treasury was forced to use the banks as underwriters. However, the 4s of 1963 currently are quoted at 99.18 bid, the 4s of 1969 at 98.22 bid and the 289 day Bills at 3.73 bid. While the Treasury obtained the cash it needed at the time, the market reception was hardly enthusiastic and it is quite obvious that the Treasury is in quite a dilemma. It will continue to be so!

Complicating Advancing Yields

The recent advance in yields raised an additional complication for the Treasury's debt managers. Four hundred and seventy-three dollars of the 2-by-4s of August 1961 will be turned in for cash on Aug. 1 next. (Holders had to declare their intentions by May 1.) There are $2.609 billion of the 2-by-4s outstanding and some dealers thought that more than half would be turned in for cash.

The 2-by-4s don't raise an immediate cash problem for the Treasury but they will add to its summer borrowing requirements. The Treasury may have to raise somewhere in the neighborhood of $0.5 billion more than it would have had to pick up if yields hadn't pushed against the 4% rate. The Treasury has just completed a rather ingenious series of operations for handling jointly its difficult multibillion-dollar cash and refunding problems for May.

(1) The $2,700,000,000 of special Bills maturing May 15 is being paid off in cash. No refunding is involved.

(2) A $2,000,000,000 issue of 340-day Bills, maturing next April 15, was sold at auction on May 6 at an average price of $3.835%. Banks were permitted to make payment by credits to tax and loan accounts. The issue is quoted at 4.01-3.99%.

(3) The next day, May 7, an issue of $1,300,000,000 of December tax anticipation bills was sold at auction, with payment due May 15 and no tax-and-loan-account privilege. The "cover" was but $199,421,000, very small. The average on these bills was 3.565% —it is quoted at 3.63-3.59%.

With the results of both of these Bill issues known, the Treasury announced, late on May 7, a 4%

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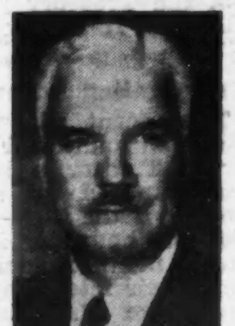
Progress of the Federal-Aid Highway Program

By BERTRAM D. TALLAMY*
Federal Highway Administrator, Washington, D. C.

Chief of Federal highway program analyzes the construction progress being made and contemplated, and revenue financing progress and prospects. Mr. Tallamy notes there will be a deficit in the Highway Trust Fund beginning in the fiscal year 1960 through fiscal year 1963 when estimated receipts are expected to cover expenditures, and he comments on proposed bills dealing with increased authorization of and apportionment of Interstate funds.

Excellent progress is being made in advancing the Federal-aid highway program authorized by the Federal-Aid Highway Acts of 1956 and 1958. It is still on schedule, nearly 3 years after passage of the Act of 1956.


Bertram D. Tallamy

For the whole period from July 1, 1956 to April 1, 1959, the projected goal in terms of obligations of Interstate and ABC funds was $7.060 billion. Actually during that period, obligations totaled $7.318 billion, or 104% of the goal that had been set. Funds are obligated when construction contracts are advertised and when surveys and plans or right-of-way acquisition are authorized.

The status of improvement of the National System of Interstate and Defense Highways as of Dec. 31, 1958, is discussed in detail in the document entitled "Progress Report on the Federal-Aid Highway Program," submitted to the Congress on Jan. 31, 1959, in accordance with the provisions of Section 101(b), Title 23, United States Code and Section 5 of Public Law 85-867 (originally Section 116 of the Federal-Aid Highway Act of 1956). The report, which has been printed as House Document No. 74, 86th Congress, 1st Session, was prepared by the Bureau of Public Roads with the cooperation of the State highway departments.

In summary, the report indicated construction work completed or under way on 11,463 miles, or 28% of the Interstate System. Work on surveys and plans or acquisition of rights of way was under way or completed on an additional 16,843 miles, or 41% of the System.

The construction mileages referred to above included all improvements on the Interstate System whether financed as Federal-aid Interstate projects, as other free facilities, or as toll roads. The total construction mileage included 6,384 miles financed from Interstate funds, 2,824 miles of other free facilities, and 2,255 miles of toll roads.

Before dealing in detail with the current status of the highway program, it may be helpful to offer a few general statements covering Federal-aid highway operations.

Federal-Aid Operations Discussed

The Federal-aid highway program in each State is made up of numerous individual projects in all stages from the initial programing to completion. For the United States there are nearly 20,000 projects programmed or under way, and the number of new projects totals about 12,000 each year.

The funds authorized for each fiscal year are apportioned among the States in accordance with formulas prescribed in Federal-aid highway legislation involving the factors of area, population, mail route mileage, and cost of completing the Interstate System. The State highway departments then submit programs of projects to the Bureau of Public Roads for improvement with the funds. Following approval of programs the States are authorized to proceed with surveys and plans and acquisition of right of way.

When detailed plans, specifications and estimates have been prepared, they are submitted to Public Roads for approval. Concurrently with approval, the States are authorized to proceed with advertising for bids. After bids are opened, the State determines its action with regard to award or rejection of bids and submits its finding to Public Roads for concurrence.

Following the award of contract by the State highway department the successful bidder is notified by the State to begin work. The construction work is supervised by the State highway department and inspected at periodic intervals by Public Roads field engineers.

Payments to the contractor for work done on Federal-aid projects are made by the State from State funds. To obtain reimbursement for the Federal share the State submits vouchers to Public Roads indicating for each project the amount of work done and claiming the Federal portion that is due.

Upon completion of a project it is finally inspected and a determination made by Public Roads that it was constructed in accordance with the approved plans, specifications and estimates, after which the project costs are audited and the final payment is made. Maintenance of Federal-aid highway projects is a responsibility of the States.

Interstate Program

The Interstate program continues to advance rapidly. For the period since July 1, 1956 to April 1, 1959, Interstate obligations amounted to $4.964 billion, or 105% of the goal established for that period. As a result, about 97% of the 1959 fiscal year Interstate funds had been obligated as of April 1.

Contracts were advertised for 2,798 projects during that time, at a total cost of $3.9 billion, of which $3.4 billion were Federal funds. The projects provide for improvements on 7,418 miles of the Interstate System, including construction of 6,791 bridges. In addition, right-of-way acquisition was authorized at a cost of $1.2 billion in Federal funds, and surveys and plans were authorized totaling $361 million in Federal funds.

Since July 1, 1956, a total of 1,176 Interstate projects were completed at a total cost of $1.1 billion, including $856 million of Federal funds. The projects provide for improvements on 3,587 miles of the Interstate System, consisting of 2,274 miles of high-type bituminous and portland cement concrete pavement, 1,262 miles of graded and drained earth road or temporary surface, and 51 miles of bridges involving 2,452 structures.

ABC Program (Primary, Secondary, Urban Extensions)

The ABC program, likewise, is progressing rapidly. ABC obligations since July 1, 1956, have amounted to 101% of the projected goal. Federal funds totaling $2.3 billion were obligated during this period, and contracts were advertised for 60,893 miles of highway construction. Construction was completed during this period on projects totaling 64,641 miles, at a total cost of $3.9 billion, of which $2.0 billion are Federal funds. About 84% of the 1959 fiscal year ABC funds had been obligated as of Dec. 31, 1958.

"D" and "L" Fund Program

The program financed from the special $400 million authorization of "D" funds and $115 million of repayable advances identified as "L" funds progressed on schedule and in accordance with the intent of the Act of 1958. Every State had its entire allotment of "D" funds under contract by Dec. 1, 1958, and project agreements had been executed by Dec. 31, 1958, as required by the authorizing legislation. All but 3 States used repayable advances authorized by the 1958 Act.

Availability of the special "D" and "L" funds and the requirement that they be placed under contract by Dec. 1, 1958, did not delay the regular ABC or Interstate programs. From April 16, 1958, when the special funds became available for obligation, until Dec. 1, 1958, when the "D" funds were fully obligated, the ABC obligations amounted to 113% of the projected goal and Interstate obligations amounted to 118% of the goal.

The special "D" and "L" funds are being used almost entirely for construction, with associated right of way and surveys and plans work financed with regular ABC funds. Contracts were advertised on a total of 12,136 miles of construction. This total includes 7,868 miles of high-type bituminous or portland cement concrete paving, 2,166 miles of intermediate-type surfacing, and 2,058 miles of gravel surfacing or graded and drained earth road. A total of 1,337 bridges, having a combined length of 44 miles, is included in the work.

Use of Apportioned Funds

Most States have made gratifying individual progress in their use of Federal-aid highway funds apportioned for 1960 and prior fiscal years.

As of April 1, 1959, 18 States were utilizing 1960 Interstate funds, 19 additional States had used at least half of the 1959 funds, and all but 6 States had used some portion of the 1959 funds. Sixteen States had utilized some portion of 1960 ABC funds, 22 States had utilized at least half of their 1959 ABC funds, and all but 3 States had used some portion of the 1959 funds.

Several States are in a position to utilize Interstate funds at a faster rate than is provided under present legislation. One State is expediting improvement of the Interstate System by means of advance construction projects financed under the provisions of Section 115 of Title 23, United States Code, relating to construction by States in advance of apportionment, wherein any State that has utilized its apportionments of Interstate funds to date may construct additional projects without the aid of Federal funds and receive reimbursement therefor when additional Interstate funds are apportioned.

Financing the Program

The Federal-Aid Highway Acts of 1956 and 1958 provided authorizations totaling $25.625 billion for the fiscal years 1957 through 1969 for improving the National System of Interstate and Defense Highways. The legislation also provided authorizations for the fiscal years 1957 through 1961 for continuing the regular program of Federal-aid primary, secondary and urban highway improvement (the so-called ABC program). Under the provisions of the Highway Revenue Act of 1956, the highway program is to be financed from revenue accruing to the Highway Trust Fund established by the Act.

Taxes accruing to the Highway Trust Fund under the provisions of the 1956 Act are as follows:

Gasoline & diesel fuels	3c per gallon
Trucks, buses & trailers	5% of mfg. price
Tires	8c per lb.
Inner tubes	9c per lb.
Tread rubber	3c per lb.
Heavy vehicle use	$1.50 per 1000 lbs. gross vehicle weight

Revenues accruing to the Highway Trust Fund since it was established on July 1, 1956, have been very close to the original estimates. On April 1, 1959, there was a balance of $492 million in the Trust Fund.

Under the provisions of Section 209(g) of the Highway Revenue Act of 1956, the full amounts authorized to be appropriated for the Interstate System cannot be apportioned to the States if the estimated revenues to be placed in the Highway Trust Fund will not be sufficient to defray required expenditures from the Fund. The Federal-Aid Highway Act of 1958 suspended the limitations of this section for the 1959 and 1960 fiscal year apportionments in order that the Interstate program could be maintained on schedule. The 1958 Act also provided increased authorizations for fiscal years 1959, 1960 and 1961.

No additional revenues were provided to cover the increased expenditures resulting from these provisions of the 1958 Act. As a consequence, under existing legislation there will be a deficit in the Highway Trust Fund beginning in the fiscal year 1960 and continuing to the end of the fiscal year 1963, after which estimated receipts and expenditures will be in balance. However, there could be no apportionment of Interstate funds for the fiscal year 1961, and the Interstate apportionment for the fiscal year 1962 would amount to only about $500 million. Thenceforth the Interstate apportionment would range from $1.7 to $1.8 billion per year in accordance with amounts estimated to be available in the Highway Trust Fund for liquidation of the Interstate program.

Under the provisions of Section 209(b) of the Highway Revenue Act of 1956, it is the declared policy of the Congress that it "shall enact legislation in order to bring about a balance of total receipts and total expenditures" in the Highway Trust Fund. Such a balance, including requirements for retaining receipts from taxes on aviation gasoline in the general fund and for financing forest highways and public lands highways from the Highway Trust Fund as proposed in the 1960 Budget Document, can be accomplished for the fiscal years through 1964 by increasing the Federal tax on gasoline, diesel and special motor fuel, from 3 cents per gallon to 4½ cents per gallon for the period commencing July 1, 1959, and ending June 30, 1964.

The additional revenue which would be made available by such increase during the fiscal years 1960 and 1961 would amount to approximately $1.590 billion. The additional sums accruing to the Highway Trust Fund during these two years would provide for the estimated expenditures from the Trust Fund through June 30, 1961, with a balance of $411 million.

These figures are based upon current estimates by the Treasury Department of Trust Fund revenues for fiscal years 1959, 1960 and 1961 and estimates made by the Bureau of Public Roards of expenditures from the Trust Fund for the same period, under the continuing program authorized by the 1958 Act and legislation proposed in the 1960 budget document.

Additional Revenue Needs

In order that the full amount of the Interstate System funds authorized to be appropriated for fiscal years 1961 and 1962 may be apportioned to the States, thereby maintaining the program on schedule as established by the Federal-Aid Highway Act of 1958, it would also be necessary under the limitations of Section 209(g) of the Highway Revenue Act of 1956 to provide adequate funds to cover the contemplated expenditures. The proposed temporary motor fuel tax increase of 1½ cents per gallon continued for three additional fiscal years, through fiscal year 1964, would provide adequate funds to liquidate the obligations of the United States resulting from the apportionment of Interstate funds in the amount of $2.5 billion for the fiscal year 1961 and $2.2 billion for the fiscal year 1962 as authorized by the 1958 Act.

Additional revenue is necessary because at the time of making the apportionments for the fiscal year 1961 (about July 1959) and for fiscal year 1962 (about July 1960), a determination must be made that there will be a sufficient amount in the Highway Trust Fund to meet all obligations resulting from these and prior apportionments. Such obligations will not be fully liquidated until about the middle of fiscal year 1964.

In January 1961, the Secretary of Commerce will submit to the Congress two fundamental reports required by the Highway Acts of 1956 and 1958. The first will present the latest detailed estimate for the cost of completing the Interstate System. The second report will present the conclusions derived from a four-year study of highway user taxes, direct and indirect beneficiaries of the highway systems, and findings regarding the equitable distribution of highway user taxes among the various classes of users and those otherwise deriving benefits from highways. Thus in 1961 the Congress, with the benefit of these two basic reports, will have the opportunity to consider what possible adjustments might be made in the tax structure for the equitable distribution of such taxes for highway purposes, and to provide for appropriate financing and scheduling of apportionments required to complete the Interstate System as originally contemplated.

Comments Re H. R. 5950

Basic of Apportionment of 1962 Interstate Funds: Section 1 of the proposed bill H. R. 5950 would provide for using the 1958 estimate of cost of completing the Interstate System as the basis for apportioning Interstate funds authorized for the fiscal year 1962. Under the provisions of legislation enacted in 1958 (72 Stat. 1725), the 1958 estimate of cost as shown in the report entitled "A Report of Factors for Use in Apportioning Funds for the National System of Interstate and Defense Highways" (House Document No. 300, 85th Congress, 2d Session), is authorized for use as the basis of apportioning the 1960 and 1961 Interstate funds.

Under the provisions of Section 2 of P. L. 85-899 (72 Stat. 1725), the next reestimate of cost of

*Statement by Mr. Tallamy before the House Committee on Public Works, Washington, D. C.

completing the Interstate System is to be submitted to the Congress within 10 days subsequent to Jan. 2, 1961. The 1961 reestimate of cost will not be available, therefore, for use as a basis for apportioning the 1962 fiscal year Interstate funds which would be apportioned to the States about July 1960.

In view of these circumstances, Section 1 of the proposed bill H. R. 5950 is recommended for adoption.

Increase in 1962 Authorization of Interstate Funds. Section 2 of the proposed bill H. R. 5950 would increase the authorization of Interstate funds for the fiscal year 1962 by $300 million, from $2.2 billion to $2.5 billion.

Estimated revenues accruing to the Highway Trust Fund from present levies and from the 1½c per gallon motor fuel tax increase recommended in the 1960 budget document would support an Interstate System authorization of $2.2 billion for the fiscal year 1962, as provided by present legislation, with balances of $40 million and $90 million respectively at the end of the fiscal years 1963 and 1964. An increase of $300 million in the Interstate authorization for fiscal 1962 would result in a corresponding increase in expenditures during the fiscal years 1963 and 1964, with the result that there would be insufficient revenues available in the Highway Trust Fund to cover expenditures during these two fiscal years. The estimated deficits in the Trust Fund resulting from the $300 million increase in the 1962 authorization would amount to $60 million at the end of the fiscal year 1963 and $210 million at the end of the fiscal year 1964.

In view of these circumstances, the provisions of Section 2 of the proposed bill H. R. 5950 are not recommended for adoption.

Business Man's Bookshelf

Columbia University Press Fall 1959 Catalogue—Columbia University Press, 2960 Broadway, New York 27, N. Y. (paper).

Debits and Clearings Statistics and Their Use—George Garvy—Board of Governors of the Federal Reserve System, Washington, D. C. (paper).

European Common Market & Its Meaning to the United States—Committee for Economic Development, 711 Fifth Avenue, New York 22, N. Y. (paper), $2 (quantity prices on request).

Falk Foundation Report for 1957 and 1958—The Maurice and Laura Falk Foundation, Farmers Bank Building, Pittsburgh 22, Pa.

Finance Companies: How and where they obtain their funds—John M. Chapman and Frederick W. Jones—Graduate School of Business, Columbia University, New York, N. Y. (paper) single copy, $2; quantity prices on request.

Investment Status of FHA and VA Mortgages—G. Rowland Collins and Jules I. Bogen—New York University, Washington Square, New York 3, N. Y. (paper).

Steel Negotiations and You—A statement by the Steel Companies Coordinating Committee—Steel Companies Coordinating Committee, 375 Lexington Avenue, New York 17, N. Y. (paper).

Whys and Hows of Exporting for Manufacturers: Guide to Foreign Trade—State Department of Commerce, 112 State Street, Albany 7, N. Y. (paper).

Continued from page 2

The Security I Like Best

years. The company can thus compound earnings at a high rate.

For the first half fiscal year ended March 31, 1959 Cross earned 85c per share, based upon a sales volume of $4,140,462. The company's fiscal 1958 earnings of $1.11 per share, realized on a sales volume of $8½ million, were adversely affected by the downturn in capital goods spending. In fiscal 1957 Cross earned $2.41 per share on a sales volume of $14.1 million. These earnings were penalized by moving and starting-up expenses in the new plant, and were further penalized about 70c per share by a two-month strike. Cross historically, then, has an earning power of about $3.10 per share on a sales volume of $14 million. While the present price of 36 generously capitalizes present depressed earnings, it does not appear particularly high in view of the company's historical earning power, and does not reflect the company's high earnings potential.

Cross' capitalization is simple: $1,300,622 in bank loans, and 633,600 shares of common stock. The common stock, traded in the Over-the-Counter Market, is attractive for investors willing to forego current income to achieve substantial capital gains over a three- to five-year period.

Joins House-Johannes

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio — James F. Boff is now associated with House-Johannes Inc., 1126 Oakwood Avenue. He was formerly with L. E. Jenkins & Co., Inc.

With E. I. Hagen

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg.—Dayton E. Glover is now with E. I. Hagen & Co., American Bank Building.

George Patten Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Richard M. Dominey is now with George Patten Investment Co., American Bank Building.

With P. de Rensis Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Meyer Golditch has become affiliated with P. de Rensis & Co., Inc., 126 State Street, members of the Boston Stock Exchange.

Joins Reynolds Staff

DURHAM, N. C. — Claude V. Long has joined the staff of Reynolds & Co., 108 Corcoran Street.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Atomic Letter No. 48 — On four proposed new projects, with probable beneficiaries among companies in the atomic energy industry, and also on progress being made by major Canadian uranium producers — Atomic Development Securities Co., Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

Bache Selected List—Review—Bache & Co., 36 Wall Street, New York 5, N. Y.

Burnham View — Monthly Investment letter — Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available in current **Foreign Letter.**

Chemical & Pharmaceutical price indexes—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Domestic Oils—Analysis—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y. Also available is an analysis of the **Carborundum Company.**

Fire & Casualty Insurance Stocks—1958 earnings comparison—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Fire & Casualty Stocks—Comparative figures—Robert H. Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Japanese Stock Market — Study of changes in postwar years—In current issue of "Nomura's Investors Beacon"—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also available is a review of the outlook for Plant and Equipment Expenditures in Japan for 1959 and brief analyses of **Mitsubishi Heavy Industries, Nippon Flour Mills Co., Iwaki Cement Co.** and a survey of the **Steel Industry.**

Japanese Stocks—Current Information — Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 20-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Paper Stocks — Review — A. M. Kidder & Co., Inc., 1 Wall Street, New York 5, N. Y. Also available is a comparative study of **Life Insurance Companies** for 1958, and an analysis of **Bucyrus Erie Co.**

Speculative Common Sense—Review—Draper Dobie and Company Ltd., 25 Adelaide West, Toronto, Canada.

What is the True Interest Rate For Long Term Governments?—Analysis—Saunders, Cameron Limited, 55 Yonge Street, Toronto 1, Ont., Canada.

* * * *

ACF Industries Inc.—Review—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also in the same circular are data on **Pullman Incorporated** and **Reliance Manufacturing Co.**

Allegheny Ludlum Steel—Data in current "Monthly Review"—H. Mentz & Co., 72 Wall Street, New York 5, N. Y. In the same issue are data on **Borg Warner, Continental Can,** and **W. R. Grace & Co.** Also available is a memorandum on **Hudson & Manhattan Railroad Co.**

Allis Chalmers—Review—Ralph E. Samuel & Co., 115 Broadway, New York 6, N. Y.

American Can Company—Review in June "ABC Investment Letter"—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y. In the same issue are data on **Ohio Oil Company, General Cable Co., A. P. Green Fire Brick Company** and **State Loan & Finance Corp.** Also available is the current Amott-Baker Real Estate Bond and Stock Averages.

Arkansas Louisiana Gas Company — Report — Schweickart & Co., 29 Broadway, New York 6, N. Y.

California Eastern Aviation, Inc.—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y.

Clinton Engines Corp. — Analysis — Webber-Simpson & Company, 208 South La Salle Street, Chicago 4, Ill.

Combustion Engineering, Inc.—Report—Thomson & McKinnon, 2 Broadway, New York 4, N. Y.

Congoleum Nairn, Inc. — Analysis — Jacques Coe & Co., 39 Broadway, New York 6, N. Y.

Fansteel Metallurgical Corporation—Report—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is the Investors "Pocket Guide" containing lists of securities in various categories.

General Foods Corp.—Data—Alfred L. Vanden Broeck & Co., 55 Liberty Street, New York 5, N. Y. Also in the same circular are discussions of **National Steel Corp., Pittsburgh & Lake Erie Railroad Co.** and **Texas Natural Gasoline Corp.**

Gestetner, Ltd.—Review—Alfred L. Vanden Broeck & Co., 55 Liberty Street, New York 5, N. Y.

Gulf Coast Drilling & Exploration, Inc. — Analysis — Gordon Graves & Co., 30 Broad Street, New York 4, N. Y.

Hunt Foods and Industries, Inc.—Analysis—Halle & Stieglitz, 52 Wall Street, New York 5, N. Y.

James Lees and Sons Company—Analysis—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available is a discussion of **Capital Goods** stocks.

Kennecott Copper Corp. — Memorandum — J. A. Hogle & Co., 40 Wall Street, New York 5, N. Y.

Los Angeles County Flood Control District, Calif.—Circular—Stern Brothers & Co., 1009 Baltimore Avenue, Kansas City 5, Mo.

Martin Co.—Memorandum—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Nationwide Mutual Fire—Circular—Robert H. Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif.

North American Cement—Memorandum—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

North American Coal Corp.—Memorandum—Model, Roland & Stone, 120 Broadway, New York 5, N. Y.

Raytheon Company—Analysis—du Pont Homsey & Company, 31 Milk Street, Boston 9, Mass.

Reinsurance Investment Corporation—Report—First Investment Savings Corporation, Box 688, Birmingham, Ala.

Ryder System, Inc.—Memorandum—Woodcock, Hess, Moyer & Co., 123 South Broad Street, Philadelphia 9, Pa.

St. Louis San Francisco Railway Company—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

South Jersey Gas—Analysis—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available is a review of the **Oil Stocks.**

Standard Oil of Indiana—Memorandum—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

United Cuban Oil Inc.—Analysis—S. D. Fuller & Co., 26 Broadway, New York 4, N. Y.

World Wide Helicopters Limited—Analysis—Blair & Co. Incorporated, 20 Broad Street, New York 5, N. Y. Also available is an analysis of **Robinson Technical Products, Inc.**

Wurlitzer Company—Report—Leason & Co., Incorporated, 39 South La Salle Street, Chicago 3, Ill.

Railroad Securities

Pennsylvania Railroad

Earnings of Pennsylvania Railroad in April reduced the loss for the first four months to $2,264,000 as compared with a deficit of $19,627,000 in the like 1958 period. For the month of April alone net income amounted to $4,049,000 against a loss of $4,727,000 in the like month last year.

Loadings in May continued at a high rate and it is probable that the road was well in the black for the first five months of the year as compard with a substantial deficit in 1958. Heavier shipments of coke, ore and manufactured products have played a large part in the revenue increase. These shipments are expected to continue in volume during June. It is interesting to note that many industry observers do not expect as much of a decline in general business activity in the third quarter as previously forecast. A high rate of industrial activity would be particularly beneficial to the Pennsylvania since it is dependent on heavy industry for its traffic.

Last year in the face of dropping revenues, the road was able to cut expenses by the same amount. Gross revenues declined 15% from the preceding year and operating costs were reduced by 15%. Personnel was cut from 89,000 at the beginning of the year to 78,000 employes in July, the lowest in the road's modern history.

However some deferred maintenance occurred. The Pennsylvania spent $47,000,000 last year on capital expenditures, only some $12,000,000 under 1957 and at the same time debt was cut by $21,000,000 and working capital was increased by $11,000,000 and cash by $18,000,00. In the meantime, the road over a period of the past six years has cut its debt by $204,000,000 and has made plans to meet the remaining $36,300,000 4½s, due 1960, through issuance of new bonds. The carrier plans further debt reduction during the current year. According to its present budget, some $25,000,000 additional debt will be retired during the current year. This would bring debt down to under $900,000,000 for the first time since 1947. This is a part of the company's plan to reduce the level of debt to $725,000,000 by the end of 1965.

After World War II, the Pennsylvania was faced with large expenditures for rehabilitation and re-equipment. Some $450,000,000 was expended for the purchase of diesel locomotives. These expenditures brought total debt up to $1,116,000,000 by 1952 and since that time the road has been concentrating on reducing debt. In addition, some $12,000,000 was expended for the construction of a heavy repair shop at Hollidaysburg, Pa., and an ore pier at Philadelphia for $13,500,000. Also, $9,000,000 was spent for yards to serve the Fairless Plant of the U. S. Steel Co. and $35,000,000 for the installation of a modern classification yard at Conway, Pa.

At the present time, the railroad is embarking on a program of acquiring 23,500 additional freight cars costing approximately $215,000,000, as one of the largest programs ever undertaken by a carrier in this country. Another order for about $10,000,000 diesel locomotives also has been placed. While the purchase of the new equipment will add about $16,000,000 annually to charges, officials of the road are of the opinion that savings in operating expenses will more than offset the increased costs.

$100 Million Issue of California Bonds Offered to Investors

A Bank of America N. T. & S. A. underwriting syndicate merged with a Bankers Trust Co. syndicate to purchase the $100 million State of California Veterans Bonds on June 10.

The merged syndicate is managed by Bank of America, with Bankers Trust Co. acting as joint manager. The Bank of America syndicate includes the First National City Bank of New York, The Chase Manhattan Bank, New York, American Trust Co., San Francisco, Security-First National Bank and California Bank, Los Angeles. The Bankers Trust Co. group includes First National Bank of Chicago, Halsey, Stuart & Co. Inc., and Chemical Corn Exchange Bank, New York.

The underwriting group bid a premium of $19,159 for a combination of 5%, 4¾%, 3½%, 3¾% and 4% bonds, or a dollar bid of 100.019. The net interest cost to the state was 3.94%. The bonds were reoffered to investors to yield from 2.50% to a dollar price of par on the 4% bonds, according to maturity Feb. 1, 1961-1985.

Net interest cost to the state of 3.94% compared with a net interest cost of 3.55% on the $50 million of State of California Veterans bonds sold in March this year.

Bonds just sold are part of a $300 million authorization approved by voters in the elections of November, 1958. Proceeds will be used to finance home and farm loans to California veterans under a program inaugurated in 1921. Through 1958, the State of California had loaned more than $1.1 billion under the program, in the form of 137,000 home and farm loans. Almost 45,000 had been paid off in full. The program has been self-supporting since its inception.

Underwriting accounts managed by Bank of America N.T. & S.A. have bought more than $652 million of California state and municipal bonds in the past 12 months. The bank and its underwriting syndicates, through the policy of submitting bids on virtually all California state and municipal bond offerings, provide an assured source of funds for a broad range of projects, such as new schools, hospitals, water and sewer systems and other public improvements.

Of Sterling and Miles

By DR. IRA U. COBLEIGH

Enterprise Economist and Author of "How to Get Rich Buying Stocks."

A consideration of the attractiveness, marketwise, of the common stocks of two renowned long established proprietary drug companies.

Today's piece brackets two companies whose products are extremely well known. Both companies have been on the scene for more than three generations, both have paid continuous dividends for more than 55 years in a row, and both are now engaged in an expansion leading to a larger participation in the ethical drug industry, and to more diversified operations. The first one we'll talk about is **Sterling Drug, Inc.** This uniquely successful enterprise is most famous for its name-brand propriety drugs and household products such as Bayer Aspirin, Campho-Phenique, Fletcher's Castoria, Philip's Milk of Magnesia, Astring-O-Sol, Dr. Lyon's Tooth Powder, Energine Cleaning and Lighter Fluids, Glostora, Molle Shave Creams, Z.B.T. Baby Powder and many others. A product being brought along rapidly is Fizrin, an effervescent conditioner and reliever, competitive with Alka-Seltzer. Altogether proprietary drugs accounted, in 1958, for 45% of consolidated sales and 57.7% of Sterling's medical preparations.

Ira U. Cobleigh

The balance of medical sales (42.3% in 1958) was in ethical drugs accounting for $71 million in total sales. About 70 specialties make up the ethical list; and new products are constantly on the way, being ideated, developed and tested by more than 400 scientists and technicians who make up the staff at Sterling-Winthrop Research Institute in Rensselaer, N. Y. Director of Research is Mr. Maurice L. Moore who came to Sterling after holding a similar position with Smith, Kline and French and more recently with Vick Chemical Co. Research facilities are being expanded, and Sterling's new biological laboratory is to be completed by the end of next year.

A third section of Sterling's business is made up of industrial products such as colors for printing inks, pigments and dyes. This division accounted for about $25 million of sales last year.

Recent acquisitions by merger (all in 1958) include House of Huston, Inc., producer of such things as cod liver oil, vitamins and other health building elements for dogs, cats and pet birds; and Delaware Poultry Laboratories, Inc. and Dorn and Mitchell Laboratories makers of medicines and vaccines for poultry.

Perhaps the most exciting new development on the horizon at Sterling is the patented Zimmerman process for sewage disposal. This is a highly efficient new method of disposal of sewage and waste by a more complete combustion process, which creates, as end products, carbon dioxide, ash, steam and nitrogen. The Zimmerman process may have wide use applications in major cities since it reduces the land area acquired for the disposal plant, creates no smell or atmospheric pollution, reduces substantially the disposal cost; and requires a smaller capital outly than existing systems. The Zimmerman method has been investigated by the Chicago Sanitary District and the company recently bid on a plant for Wheeling, West Virginia. A Norwegian paper company is building a $4 million plant using this process for treatment of industrial wastes.

All of these lines of endeavor, put together, created consolidated sales of $215.8 million in 1958, including foreign sales of about $57 million (excluding about $3.5 million of sales in Argentina and Chile).

The capitalization of Sterling Drug is quite simple, consisting of $23,968,522 in long-term debt and 7,913,794 shares of common, listed on N.Y.S.E., and now selling at 52 with an indicated $1.50 dividend. Cash dividends have been paid continuously since 1902. Net per share has shown a pleasing and consistent annual advance from $1.45 in 1953 to $2.42 for 1958. Balance sheet position is exceedingly strong with net working capital, at the 1958 year end, of $54.1 millions.

In view of the consistent ability shown by Sterling to improve earning power and develop new and profitable products, the present price of 52 for the common does not seem to discount, inordinately, the visible upcurve in earnings or the potential value of the new products and processes touched upon. In any event it is apparent that Sterling is almost half through its best year in history.

The other company we had in mind for brisk discussion today is **Miles Laboratories, Inc.**, a company seventy-five years in business which has paid continuous dividends since 1894. By all means its best known product is Alka-Seltzer which accounted, for about 60% of 1958 total sales of $62.6 million. One-A-Day vitamins were next in sales importance accounting for 19% of volume.

The accent at Miles has recently been on moving away from such major dependence on proprietary drugs. Research budgets have been increased from $1.8 million in 1957 to about $2.3 million for this year. There's a $3.6 enlargement to Citric Acid capacity to more than twice what Miles needs for itself, which will permit, by 1960, substantial citric acid sales to other companies using it in chemicals and pharmaceuticals. Takamine Laboratories, a chemical division, has pioneered in enzymes useful as catalysts in food processing and drugs. One particular enzyme steps up the food value of barley grain, used for chicken feed, to a virtual equivalence with corn.

The percentage of total sales in ethical drugs was 10% in 1958. Best known ethicals by Miles are Clinitest and Clinistix, tests for diabetes, and Nostyn a tranquilizer. New compounds, persuasive to mental serenity, are in the laboratory stage and some of these may blossom out into highly successful clinical and cash register items.

Capitalization is made up of $7.9 million in long-term debt of which $6 million consists of 4⅝% debentures convertible into common at $55. Since the common (1,207,087 shares outstanding) now sells around 64 in the Over-the-Counter Market these debentures are selling at a premium at 128.

Persuasive to a favorable consideration of Miles Laboratories common at this time is the fact that per share net has doubled in the past decade (and may repeat the performance in the next); the recent addition of highly competent new members to the echelon of top management; and the indicated rise in cash dividends at the rate of roughly 20c per year. Miles Laboratories may not be as large or as well known as Merck or Pfizer but it is displaying the same kind of growth, propelled by research and salesmanship. Our guess would be that Miles common should earn around $3.50 in 1959. On that basis the present market price is 18 times earnings, a most attractive ratio for so dependable and so dynamic an equity.

There are two ways of viewing the market today. You can say that the whole thing has gone too high and argue that you should suspend purchases till more traditional price/earnings ratios may become evident. On the other hand you can take equities such as the ones we've just mentioned and calculate that if they continue to grow at the rate of 7% a year or better then present price quotations for them are by no means extravagant. If the next ten years are to be what Kiplinger has called "The Soaring Sixties," then viewing Sterling and Miles commons with some optimism, makes sense. And if this imminent decade proves less exuberant, then at least we'll have Bayer Aspirin and Alka-Seltzer to fall back on!

Aubrey Lanston Co. Official Changes

Directors of Aubrey G. Lanston & Co., Inc., specialists in United States Government and Federal Agency securities, have elected John P. Freeman Jr. and Charles W. Gould, Vice-Presidents. Mr. Freeman makes his headquarters in the firm's New York office, 20 Broad Street, and Mr. Gould is with the Boston office, 45 Milk Street. They formerly were Assistant Vice-Presidents.

Douglas Delanoy Jr. and George R. Styskal, both of New York, and Frank E. Loring and Howard L. Pampel, of the Chicago office, 231 South La Salle Street, were appointed Assistant Vice-Presidents, and Edward R. Lastella of the New York office, was named Assistant Cashier.

Midwest Exchange Member

CHICAGO, Ill.—The Board of Governors of the Midwest Stock Exchange has elected J. R. Phillips, Jr. of J. R. Phillips Investment Co., Houston, to membership in the Exchange.

Growing Investor Interest In Motor Carrier Offerings

By NEIL J. CURRY*
Chairman, Executive Committee
American Trucking Associations, Inc.

Continuation in recent pace of motor trucking firms offering stocks publicly and reasons for increasing investor interest and recognition are reviewed by Mr. Curry. The industry's spokesman credits trucking's growing future to population growth and dispersion, movement of industry, and changes in our living habits. He praises evidence of changed railroad attitude and notes that improved public attitude comes with better highways and awareness of dependence on the motor carrier. Indicative of the industry's place in the economy, Mr. Curry explains, is the new index developed showing tonnage carried weekly. The author sees each form of transportation tending toward the job it can best do; and decries common ownership of multiple transport facilities.

I should like to offer two quotations. I apologize for the first one, since it is a direct quote of a comment which I made to the Society of Security Analysts members my last time out. Early, in those remarks of January 1958, I said:

"No discussion of the present or future of the trucking industry could take place, without first recognizing that few people have any conception of the size and nature of truck transport."

Neil J. Curry

Early last month, the letter of a well-known member of the New York Stock Exchange, had as its opening paragraph, these words, which I quote:

"Most investors have a blind spot about the motor trucking industry. They tend to think of it simply as a thorn in the side of the railroads. Yet it is thanks to the motor carriers that the American transportation system has a speed and a flexibility that are the envy of the world."

Now I mention those two observations, which reflect parallel thinking, because they are the key to the situation. It is true that the motor carrier has not enjoyed his place in the sun for many reasons including our comparative youth, our low visibility as individual units despite our staggering job cumulatively, and because of the previously small comparative size of our companies. Plus, of course, the fact that only two companies in our field had public financing before 1950 and that 11 of the 21 stocks now available came on the market since 1955.

Increasing Stock Offerings

These two observations are interesting for another reason, and that is that the time is rapidly approaching when they no longer will be valid. Interest and recognition is coming apace and it will be accelerated by the continued expansion of those companies now offering stocks publicly, and by a steady increase in their number. Recognition is on the way and to an extent unthought of just a few short years ago.

Since it is obvious that such recognition and acceptance of the role of the motor carrier must constitute the basis of investor interest in motor carrier offerings, I should like to discuss some of the forces that are at work building this platform of understanding.

Beginning about fifteen years ago, members of the trucking industry appearing before civic clubs, traffic clubs, chambers of commerce and similar organizations, built their presentations around a basic approach sent out by American Trucking Associations. The title of the talk, widely used, was "Revolution In Transportation." It dealt with the impact of the internal combustion engine on the movement of people and property.

For the past several months, a great New York business paper has been running a series with the same title "Revolution In Transportation". This series deals with the problems and the outlook of the various transport facilities; steamships, inland waterways, railroads, motor freight and air cargo. It is an unusually competent reportorial and interpretive job, whether or not one is in complete agreement.

There is a ferment in transportation today. It has been brewing for some years. What the end product will be when the interactions and re-actions have finally been neutralized, no one can say with absolute certainty. But no high-level quality of prophecy is required to establish, even now in all the current turmoil, certain inevitable results of the changes in the making.

What is happening in transportation is precisely what had been foreseen by shrewd observers when they turned their attention to this field some years ago.

Recently a leading financial journal was kind enough to quote me, in a title box at the head of a story on our industry as saying: "We are the symbol of the revolution in production and distribution and the revolution in transportation." That observation, while accurate, is by no means an exclusive or personal viewpoint—and I take no credit for it. Rather it is an expression of what many economists and analysts long ago determined by investigation and projection as the basic fact about our changing economy.

No End in Sight

I won't repeat here, in detail, the reasons why truck transportation symbolizes these two revolutions. But I will say that there is no end in sight for two dominant trends in our economy and culture which focus attention on truck transportation. One of these trends is "where we live and where we will live and produce". The other is "how we live".

The exodus to suburbia, and exurbia continues apace. The end is not in sight nor can it be, because of our expanding population. I suppose all have been as beguiled as I have by the zooming population figures. I took the trouble to call the Census Bureau earlier this week in Washington. They keep what amounts to a "fever chart" of population and they can tell you what the total population will be at any given hour of any date for many months ahead. Last Jan. 24 of 1958, our population total was 172,783,909. At this time, the population total is 176,623,726 a difference of 3,839,817. And in an hour, you can add 330 to the total, for that is the average hourly net gain. Incidentally since Jan. 24, 1958, we have had the equivalent of a city larger than the Detroit metropolitan area. Where are they going to live? Most of them in the suburbs and beyond.

The movement of industry outward from the central cities is stepping up. Virtually all important new plant locations are spotted in terms of semi-rural or small town sites in close proximity to important highways, especially the new interstate system. That trend inevitably will continue and be augmented by shifts of existing production units now in metropolitan areas.

All of this movement is based on availability of personal transport and property transport accomplished by motor vehicles. Much of it is a movement away from railroads. The modern plant with no rail siding is no longer a novelty.

That is the first of the two major trends pointing toward truck transport.

Changed Living Habits

The second is the change in our living habits. These are the days of gimmicks, gadgets, appliances and packaged products of every kind. The old days of bulk have yielded to the new day of processed product in the food business. For example, it is no coincidence that the horse-drawn vehicle never could have delivered frozen food, nor that the railroads could not offer this service, for the frozen food industry was founded on special truck service utilizing deep refrigeration units of a type unavailable from any other form of transport. That kind of equipment created the frozen food industry. Today other forms of transport have adapted their service to accomplish at least the line haul of such items in special equipment, but the final delivery to consumer outlets will always be by truck and so will most of the line haul.

Truck service made its first great competitive dent in the traffic pattern hauling merchandise freight. It has gone on to virtually every type of freight movement even to such items as steel, coal and grains in increasing quantity. But, without question, the motor carrier is that type of transport made to order for the hauling of all kinds of appliances, ideal for swiftly moving component parts between sub-contractor and assembly points, and for the whole range of American industrial and domestic hauling requirements.

Only a few months ago I saw a projection of some of the nation's requirements in 1960 for items of industry and commerce which the truck hauls with special facility. Among them are:

6,200,000	automobiles.
53,800,000,000	gallons of gasoline.
114,000,000	tons of steel.
621,400,000	pairs of shoes.
15,000,000,000	lbs. of beef.
$11\frac{1}{2}$ billion	lbs. of pork.
29,300,000,000	quarts of milk.
6,900,000,000	lbs. of textile fibre.

Now many of those items right now are hauled in greater totals by truck than by any other form of transport. So too are millions of shipments of food products, household appliances, production line components . . . all kinds of items where the speed of truck service coupled with its economy and with minimum handling and danger of loss and damage appeals to both shipper and receiver.

That's the background against which this turmoil in transport is taking place. Take the change in where we live and how we live, and add to it some new technology in transport and you have the ingredients which are forcing a brand new approach to transportation.

I understand as well as anyone that this is not the appropriate place for gratuitous remarks about any other form of competitive transportation and I am not making one nor do I intend to do so. But I must comment here about railroad attitudes.

An Encouraging Railroad Attitude

My unqualified remarks that these great trends in our economy and culture point squarely to truck transportation are, in effect, now endorsed by our principal competitors in surface transportation, the railroads. Their endorsement of the role of trucks in the years ahead is found, not merely in words, but in their current activities. I venture the comment that no railroad executive in the nation has any forward plans which do not involve the truck—not merely as a vigorous competitor—but also as a partner in the years ahead.

For many years, the policy of the railroads toward the trucking industry was one reflecting annoyance. As the letter I quoted at the outset put it, the truck was considered to be a thorn in the side of the railroads. The remedy, in the thinking of substantial rail leadership, was to promote restrictions of all kinds, including curtailment of sizes and weights and imposition of heavy taxes.

This philosophy of the railroads was perhaps best expressed by the President of a major railroad speaking before a group of railroad men in Chicago a few weeks ago.

After saying that the historic attitude of the railroads versus the trucks had been troubling him, he went on to explain in these words:

"I refer to the long-time campaign by railroads to force higher taxes on truckers while we supported legislative efforts to keep down the length of trailers, the height and the load limits. We always protested that we did these things in the public interest. As tax payers some of our railroad money went into the building and upkeep of the highways. If we allowed increasingly heavy loads on trailers of greater cubic foot capacity we could be accused of standing by and watching our highways broken up by the interstate carriers.

"Don't misunderstand me with respect to the highway carriers paying for the use of public facilities," this railroad executive continued. "I think such charges should be made by the several states on whatever basis these states may deem fair and equitable.

"However, I think the railroads have spent a lot of time and money trying to make operations difficult and less economic for the truck lines, as I have mentioned, **and we have not been too successful.**

"It seems to me that if we devote this amount of energy to working with the common carrier truckers on matters of mutual interest, we both will be much more successful, both economically and politically."

That is a most interesting statement. It reflects a new and promising attitude on the part of at least some rail management. It is my opinion that this is far from an isolated position and it may well signalize a new and a healthy relationship for both types of carriers.

Many are aware of the rapidly expanding rail-truck coordination, effected through piggy-back and through joint rate and service arrangements.

Intensive research and effort is going into the technological side of joint service, not only between rails and trucks but in the whole field of inter-carrier relationships. Within each of the various facilities and in the engineering departments of many of the supplying companies, concentrated efforts are being made to develop equipment suitable for transfer from one medium to the other.

Containerization Coordination

Development of standardized containers is progressing and this complex problem will be solved in due course. There are many in transportation who believe that use of the container will largely replace the conventional piggy-back in time and that containerization will be the chief method of inter-carrier coordination.

Within our own industry there has been a notable expansion of trailer interchange. More than 300 carriers are now interchanging equipment in much the same fashion as the railroads have done for many years. The objectives of improved service, reduction in damage, easier handling and overall savings in costs are being realized through utilization of this technique.

There is more than casual interest within our industry in the experiment conducted on the New York Throughway involving the use of what we call double bottoms. Under the experimental tandem arrangement, one heavily powered tractor hauls two trailers in a combination up to 98 feet long and with a grosss weight of up to 130,000 pounds. Relatively unfamiliar in the East, the double bottom is a familiar sight in western United States.

Current power plants with 335-horsepower are adequate for the expeditious hauling of these double-bottoms, but manufacturers report that the next few years will find engines with nearly twice that horsepower available. The eastern experiments in New York, Ohio and Indiana were conducted on toll roads.

The test runs were highly satisfactory. Since each of the two units meets the size and weight requirements of the states abutting the toll roads, the tandem unit can easily be separated into two individual units when it leaves the toll road, by utilizing a stand-by tractor, and can then traverse the state system without difficulty to the point of pick-up or final delivery. From all three standpoints of safety, operating satisfaction and economy, the tests came through most adequately. The favorable economic aspects of this kind of operation are obvious.

These are only a few of the noticeable trends in the industry.

Over the past 15 years or so, the trucking industry has changed from one which basically sought to make do with the resources at hand, to one of the more progressive American industries in terms of intensive effort to cut costs through engineering techniques. Mechanization and automation of terminals with remarkable savings, joint efforts with the supplying industries to develop time and labor saving devices and to improve the cubic content of trailers while cutting the weight—these are areas in which remarkable progress has been made. Realignment of data procurement and processing has proceeded to a point where management often has a comprehensive system picture less than 24 hours old.

Change in Public Attitude

Of great significance to the future of the industry is the noticeable change in public attitude. Two things are behind this. One is the development of a greatly improved highway system, notably the major through highways with limited access, reduced grades and speed limits which permit fast travel of all motor vehicles. In this connection I remember a full-page advertisement in "Life" magazine a few years back, sponsored by one of the major tire companies. Its theme was expressed in the headline which said: "Nobody Gets Mad At A Truck On A Good Road." That is almost 100% true—and we are getting more and more good roads every day. The public still

*An address by Mr. Curry before the New York Society of Security Analysts, New York City.

develops a high adrenalin count in congested cities, notably around the Garment Center in New York, but that is a problem which the trucking industry, as such, shares with railroads, airlines and water carriers who make their pick-up and delivery by truck — and, of course, with every business house utilizing truck service under its own banner.

On the point of recognition by the financial community we find a similar interest. Here is one evidence of this situation.

A Valuable New Business Indicator

In mid-February of this year we launched at American Trucking Associations, what is known as a weekly truckloading report. Before we made this available we conducted a dry run for a full year. Basis of this tonnage report is the fact that the 1,100 Class I and II intercity motor carriers of general freight, doing a gross business of around $3 billion a year, completely reflected in their operations the performance of the whole for-hire group, whose annual revenue is plus $6 billion.

Within that group we selected and tested the returns from upward of 400 terminals in 34 carefully selected cities. We satisfied ourselves that this was a representative core. We had proved conclusively at the outset, the rise and fall of the for-hire carrier volume was the most sensitive barometer available as to the current economic pulse of the country.

The data we received by wire each week were compared with other business indicators such as Gross National Product, industrial production and rail freight carloadings. Comparisons were also made with measures of business activity available for local areas such as department store sales, employment and earnings and bank clearings. As I say, we completely satisfied ourselves that these weekly tonnage reports are a most valuable addition to current business indicators.

We have made them available to the wire services and the press generally. As a rule these reports are not published in totality but only on the national percentage of change. Our full report, listing the cities in which the terminals are located and the changes there, has been sought by many financial institutions and we are glad to send it out.

Awareness of Dependency

The second reason is the constantly increasing awareness by the average citizen of his dependence on motor trucks. With recognition of that dependence, there may not develop love and affection but there certainly has come better understanding and appreciation. At the moment we will settle for that.

Hand in hand with this development is the equally important recognition by our railroad friends of the obvious destiny of our service in the years ahead. Rail installations are fixed. The country is growing away from them, and there will be no new railroad mileage of any consequence built from here on out.

Moreover, certain once highly-regarded axioms in transportation have been destroyed. One of them is that the truck is ideal for the short-haul but inferior and less efficient for the long haul. With respect to certain bulk commodities moving in carloads between two railroad sidings, that axiom stands up. But it is not true of a great many commodities and of many other origins and destinations and of smaller shipments than carloads.

A friend of mine recently pointed out that a substantial part of the revenue of his company was obtained from hauling perishables—refrigerated meat, fruits and vegetables. The average haul for this traffic was around 2,000 miles. Much of it came from food brokers, he reported. Often the order was to pick up a part load each of three different commodities at points 10 or 20 miles apart, then move the load to Chicago and deliver parts of it to three different produce dealers.

As he put it: refrigerated commodities can stand very little movement from truck to boxcar to truck without spoilage. Can you imagine, he asked, this type of movement being handled by shunting a rail car to three different origins and three different destination sidings. Over half this company's revenue on refrigerated commodities involves split pickups or split deliveries or both.

Shake-Down Period

Recognition of these facts about the nature of the transportation job which the economy requires and about the special abilities of various types of transport to perform them, is at the heart of this current revolution in transportation. We are in what the naval people call the shake-down period. Each form of transport has been tending toward the final goal of doing that job which its peculiar and particular characteristics enable it to do most efficiently and economically.

We are about ready to impose upon that fundamental posture of each form of transport, a coordinating overlay in which we will put together combined operations which call for utilization of these qualities in a single movement. We believe that this can only result in benefit to all concerned, and notably to the carriers participating.

In our industry, we see no advantage and several disadvantages in common ownership of multiple transport facilities. It is our belief that this not only is **not** necessary but that it carries implicit dangers to carriers and the public. It takes the sharp edge of competition to keep carriers trim. Competition in transportation has given us the greatest transport system in the world, and co-ordination within competition will keep it vital and progressive.

It is our belief that the current internal developments in transportation will be beneficial to the motor carrier. Interest in the motor carrier is justified on many grounds, and most notably the unmistakable role he is going to play in the years ahead. In our expanding economy the motor carrier will give a good account of himself. As an associate of mine expressed it, our expenses are highly controllable, and cash flow is high because of short depreciable lives of equipment. Our major companies, notably those who have become big enough and have good enough records for public financing, have learned efficient management and adequate control the hard way.

Of the 21 companies utilizing public financing, only one shows a loss and that of 8.3% in the current price of its stock as against the unit offering price. All of the rest of them show gains, many of them remarkable. On a recent chart presented by an executive of a distinguished New York house, I noted that six of these companies have shown gains of 100%, 170%, 241%, 280.7%, 403.7% and 420%, with most of the rest of them ranging in gains from 25% to 89%.

If it is true . . . and I do not quarrel with the statement I mentioned at the outset . . . that investors have a blind spot about motor carriers, I have but two conclusions as I prepare to close this paper.

One is to express the hope that this discussion will help to cast some light in the darker corners of the place which motor carriers occupy in our economy.

The other is to reiterate my firm belief that the years ahead will find increasing interest in, and widespread recognition of, the true role of the motor carrier in an expanding America.

Federal Reserve Board Weakens Small Business

By THEODORE H. SILBERT*

President, Standard Finance Corporation, New York City

Commercial financial company head flays Federal Reserve for injuriously hobbling small business and charges that the almost year-old Small Business Investment Act is ineffective. Mr. Silbert claims small business should not be subject to tight, unselective credit controls and that the SBI Act contains a "conglomerate of impossibilities" which prevent financial aid to small business.

While everyone is an ardent friend of small business, monetary controls as they are currently used by the Federal Reserve Board will make small business growth more hazardous than ever. In times of business expansion, small business grows more rapidly than larger business. In times of business decline, small business drops more precipitously than large business, because the smaller enterprise does not have the stability of customers, or sales organization, or variety of product that big business has.

Theodore H. Silbert

When the Federal Reserve restricts bank credit in an expanding economy, small business is denied the possibility of growth which is necessary to sustain it during any subsequent decline.

Fed Hurts Small Business

The Federal Reserve Board's contraction of bank credit strikes at small business' major source of outside financing. Under tight money conditions when loans are rationed, larger firms are usually served first because they are better credit risks, because they can be more economically serviced by the banks, and because they maintain more adequate bank balances over the years. In addition to bank credit, these same larger businesses have access to the public securities market, to insurance company loans, pension funds, and other sources of money.

Small business, however, is virtually limited to banks and commercial finance companies. When these contract their credit — as they must under direct and indirect Federal Reserve Board pressure — small business is unduly handicapped in growing during the upswing of the business cycle. When the downswing comes — as it must from time to time—small business is in a most vulnerable position.

Much has been made of the fact that monetary controls by the Federal Reserve Board will help keep our economy on an even keel. Those controls undoubtedly are necessary to keep the ups and downs within narrow limits, but they weaken and sometimes cause the death of small business because the credit contraction is so mechanical, without consideration for the small companies.

Flays Small Business Investment Act

Of course, the Small Business Administration is now said to have taken over the function of meeting the long-term financing needs of small business. The new Small Business Investment Act, signed in August, 1958, was alleged to meet all the long-term needs of small companies. Unfortunately, this is not turning out to be the case. To date, only two licenses to Small Business Investment Companies have been issued in the whole country, and there are only about two dozen other SBIC's waiting to go ahead with their incorporation.

These SBIC's are being strangled with red-tape due to Congress' overzealousness. The SBIC law is so drawn that the small businessman borrower is protected against high interest exploitation, every SBIC is protected against making foolish investments and loans, the government is protected against losing money, and every private investor in each SBIC is virtually guaranteed that he will earn a profit. This ridiculous conglomeration of impossibilities will probably never loosen more than a trickle of small business financing.

One day we shall stop all these silly maneuvers of adding one financial structure on top of another. The needs of small business are fairly simple: adequate loans on a short-term and long-term basis. These are usually available in normal amounts and adequate to meet normal needs, if the Federal Reserve Board did not arbitrarily limit bank credit. By applying the pressure without discrimination, the Federal Reserve Board does not hobble large business; only small business is hobbled. And this will become more and more serious as the Federal Reserve Board continues to relax and restrict bank credit without consideration of how much this hurts small businessmen.

*Text of Mr. Silbert's remarks at the dedication of Standard Financial Building, New York City, June 3, 1959.

Blyth Obtains Option To Acquire Henshaw

SAN FRANCISCO, Calif.—C. R. Blyth, chairman of Blyth & Co., Inc., nationwide investment banking house, has announced that his company had obtained from the principal stockholders of Henshaw Investment Co. an option to acquire approximately 85% of the outstanding stock of that company. Henshaw is a privately owned investment company of San Francisco, founded by William G. Henshaw.

The assets of Henshaw Investment Co. include approximately 40% of the preferred stock and 20% of the common stock of American Cement Corp.

American Cement Corp. resulted from the merger on Dec. 31, 1957, of Riverside Cement Co. of California, Hercules Cement Corp. of Pennsylvania and Peerless Cement Corp. of Michigan, and is one of the six largest cement producers in the United States.

Mr. Blyth was unable to state at this time whether the option will be exercised by Blyth & Co., Inc. and, if so, what disposition will be made of the assets of the Henshaw Co.

Reukauf To Be Partner In Trubee, Collins Co.

BUFFALO, N. Y. — Jack C. Reukauf, manager of the firm's trading department, on July 1 will be admitted to partnership in Trubee, Collins & Co., M. & T. Building, members of the New York Stock Exchange.

A United States Long Run View Of Canada's Investment Outlook

By ROBERT C. HEIM*

Vice-President, Empire Trust Company, New York City

A banker who should know declares the chances appear highly favorable that the growing pattern of investment opportunities in Canada will continue for some time. Noting that the latest data show market value of U. S. funds in Canada comes to $20 billion, Mr. Heim surveys the investment climate to see if more than the familiar risks are present and concludes that that two political developments are too inconsequential to count. He does not blame Canada for wanting to keep life insurance companies Canadian owned and opines that any shares still available represent one of the more attractive long-term investment opportunities as does, too, the Canadian natural gas industry.

The United States view on long-range Canadian investment possibilities is best expressed by the fact that we have more capital invested in Canada than in any other foreign country—$8,300,000,000, or one-third of our total direct investment abroad, plus $3,900,000,000 of portfolio investments, representing over two-thirds of our total foreign portfolio. These are preliminary 1957 figures, at book value. A fair estimate of the current market value of private U. S. investment in Canada is $20,000,000,000. These are large figures, they are growing annually and there seems to be nothing on the horizon that will reverse the trend. The large size of these investments has created some problems for Canada and there are risks for the investor, as there are in any investment and of which the investor should always be aware.

Robert C. Heim

Why has Canada attracted such ardent attention from the U. S. investor, what kind of investments are they, what are the risks and what are the opportunities for the future? Basically, it is Canada's proximity, the similarities of political climate, economic system, tax laws and corporate and financial organization that have made investment in Canada a natural if not obvious activity for U. S. corporations and portfolio managers. We talk the same financial language, have the same regard for a contract and many people think we use the same currency, called a "dollar."

With so many investment opportunities at home, why does the U. S. investor risk his money abroad, under any foreign jurisdiction? He has never been greatly impressed with the exhortations of political economists who have told him that it is our duty and responsibility as a creditor nation to invest abroad; he believes it, of course, but what he really wants to know is—can we make any money?

At a recent dinner in Montreal, the head of one of Canada's largest business enterprises—a Crown corporation — where the after-dinner "remarks" were somewhat franker than usual, put it this way—"all this talk of hemispheric solidarity, mutual defense, dependence on each other and so on is a lot of nonsense. We are all businessmen out to make a profit and our politicians will and should make the best deal they can for their own country. When we recognize that, we will work out our own problems and we'll all get along better."

*An address by Mr. Heim before the National Industrial Conference Board, New York City, May 21, 1959.

Canada's Dollar Is Satisfactory

When the U. S. investor looks abroad he must be satisfied with the political and economic background and be confident that the rules will not be changed after he makes his investment. He must have confidence in the value of the currency for which he exchanges his U. S. dollars. Once he is assured that transfers will be unrestricted, an opinion on the exchange rate is of varying degrees of importance to different classes of investors. The fluctuations in the rate are of lesser importance to the direct investor in a plant, a mine or an oil well, for example, than to a buyer of bonds for an institutional portfolio. The portfolio purchaser of a common stock is not greatly concerned with the exchange rate, but it is of major importance to the manager of short-term funds operating in the money markets. This short-term investor, moreover, must have the opportunity of hedging in a well-organized futures market. Canada's dollar meets these requirements without question, but some discussion of the course of the Canadian dollar exchange rate should be of interest.

The soundness of the Canadian dollar has been demonstrated by superb management of the national finances and the Exchange Fund since the war, up to now. A fixed rate of exchange—U. S. $0.909 — was abandoned in 1950 when it was swept away by the flood of offerings of U. S. dollars and other currencies attracted by a bargain. The Canadian money managers, realizing they could maintain no rate that is not in balance with economic conditions, wisely let the rate seek its own level, which it has done ever since, with the Bank of Canada intervening only to smooth out daily fluctuations. Since 1952 it has been at a premium over the U. S. dollar, with short and very minor exceptions, ranging from about 3/64 discount to 6-11/64 premium, which is stability enough for most purposes.

We use the terms "premium" and "Par" for identification purposes, but what is "par" for the Canadian dollar? What's par for the Dow-Jones averages? Or for a barrel of oil? What, in fact, will be the value of the U. S. dollar in terms of these other measurements? If the Canadian currency were not called a "dollar," there would probably be less confusion and concern. In any event, this is one of the risks that must be measured by the U. S. investor.

If we analyze the Canadian exchange position we find that the Canadian Balance of International Payments regularly shows a deficit in current account balanced by capital movements. The largest items in capital account are direct investment in Canada and sale of new Canadian issues abroad, chiefly bonds. As these items grow, there is a growing amount of interest and dividends payable to foreigners. In 1958, the net interest and dividend account payable was $433,000,000 which happened to be almost the same figure as the direct investment in Canada. If you wish you may say therefore that Canada must borrow to pay the interest on its debt, but this would be an obvious non-sequitur particularly when new exports are the direct result of investment as in uranium, iron ore, oil and gas. In times of business recession, the trade deficit diminishes, in quite sensitive fashion. The import of capital goods has its counterpart in capital movements, but consumption of imported consumer goods has no such relationship and can be a matter of concern. A significant change in recent years is the increasing trade deficit with the U. S., which inspired the Conservative government to promote a switch of 15% of this trade to the United Kingdom.

Opportunities Still Prevail

Should United States investment in Canada come to a halt, or even reverse its movement, there would of course have to be a drastic readjustment in Canada's trade and in the exchange rate as well. What are the chances of this happening? Unless one concludes that there are no long-range investment opportunities in Canada, the chances appear highly favorable that the pattern of recent years will continue for some time. Canada needs huge amounts of capital for the development of her resources and much of this capital must come from abroad, particularly the U. S., as it has in the past.

About two-thirds of U. S. investment in Canada is direct investment, largest of which by far is in petroleum and natural gas. Next is mining and smelting, iron and products, wood and paper manufacture, all of approximately the same importance. Investment in financial institutions is substantial as is merchandising, and chemicals and applied products shows an interesting growth. These are the industries that have attracted foreign investors, their relative position may change in the future as secondary industries build up, but the total capital needs continue to grow, particularly in the development of those natural resources which the world will need in increasing amounts.

The risks are the familiar business risks in varying degrees of similar investments at home plus the disadvantage, if any, of foreign jurisdiction. The average U. S. investor has concluded that this political risk is minor or non-existent; he has taken his welcome for granted, with the inevitable consequence. A natural irritation has grown among Canadians, voiced quite often in the last few years by members of the government and the Canadian press and summarized in the Gordon Commission Report in a list of grievances that are now probably familiar to most businessmen and professional investors. Probably nothing irritates the Canadian as much as this taken-for-granted attitude on our part, unless it is another U. S. reference to our 3,000 miles of unguarded frontier and our hemispheric solidarity.

Value in Overcoming Canadian Grievances

The average American businessman was probably quite surprised at the extent of the Canadian feeling that his investment carried with it the responsibility of Canadian citizenship, corporate-wise. It can be said that he now recognizes the justification for Canadian concern and that some efforts are being made to reduce the points of friction. An Empire Trust Company survey last year of U. S. corporations doing business in Canada disclosed a trend of increasing Canadian managerial representation among the Canadian subsidiaries and an awareness of the political advantages, at least, of Canadian participation in the ownership of these subsidiaries. These are problems the businessman must work out—if he doesn't, there is danger of governmental measures with the rigidities that such controls so often impose.

On this subject a Professor of Economics at McGill University, David McCord Wright, had this to say, in a review of the Final Report of The Royal Commission on Canada's Economic Prospects (the Gordon Commission) in the American Economic Review, "the greatest danger I see to Canadian growth . . . is not United States investment penetration but ideological or cultural penetration (by) that European and English left-wing, Labor-Socialist philosophy which has shown itself so decisively inferior in the matter of economic growth."

Keeping Life Insurance Canadian

Now it isn't known whether Professor Wright had in mind anything specific, but other observers have been somewhat disturbed by certain developments which may be manifestations of Canadian Government reaction to the alleged U. S. investment domination. The first of these was the legislation, passed without opposition, amending the law under which Canadian insurance companies are regulated. This amendment permits life insurance companies to "mutualize," requires a majority of the Board of Directors to be Canadian and gives the Board power to refuse transfer of shares to a non-resident, in its sole discretion. It is generally conceded that this Amendment was the direct result of large U. S. purchases of shares in Canadian life insurance companies, in some cases with the object of gaining control. Curiously enough, Canada does not permit a Canadian life insurance company to acquire the stock of another life company, but did allow a foreign-based company to do so, and presumably would still permit it if the Board of Directors approved. Mutualization seemed to be the answer to this problem, perhaps in part because the Superintendent of Insurance believes that stockholders in a life insurance company are unnecessary.

The more recent development that disturbs some professional investors is the preliminary report of the Royal Commission on Energy (Borden Commission) which recommends, among other things, the appointment of a National Energy Board with power to regulate in extreme detail all movement of petroleum and natural gas, including pipeline rates and the return on investments in these facilities. It should be emphasized that Royal Commission reports are advisory only and that their recommendations are not necessarily adopted by subsequent legislation. Nevertheless, immediate investor reaction to this Report was extreme, perhaps more so in Canada than abroad. It was felt that if the recommendations were adopted, pipeline investments would cease to be attractive and the capital needed for the development of the oil and natural gas industries would simply be unavailable.

These two examples point up the question of the political risk raised earlier. Are they indications to the U. S. investor that the rules are to be changed, or are they a natural and justified exercise of sovereignty for the common good? After measuring these risks, the market-place eventually concluded that they are relatively minor. The U. S. investor generally recognizes that Canada should control its own life insurance companies with the great amounts of capital they represent and that the export of gas and oil is a matter of national concern, as is also the regulation of a monopoly in the form of an interprovincial pipeline. The U. S. investor is thoroughly familiar with both kinds of regulation and he may well have concluded that what he'll get in Canada will be no worse than what he knows at home.

Favors Life Insurance Shares

The shares of life insurance companies still available represent one of the more attractive long-term investment opportunities in Canada and the development of the Canadian natural gas industry is still in its infancy, about where U. S. was in 1925. Canadian oil is going through difficulties of marketing the large reserves that have been developed in a short 12 years, but the investor can rely on the industry truism that "oil will always find a market." The Gordon Commission report in 1957 stated that the oil and gas industry might require capital investment of $25 billion over the next 25-year period. Development of electric power provides other opportunities. Water power sites in British Columbia and Labrador will generate millions of kw, requiring many hundreds of millions of dollars within 10 years. With the development of energy sources, secondary industry will have its period of great growth; the drug and chemical industries would appear to have particular promise as population grows.

Geographically, Canada is still a land of frontiers. The Yukon and Northwest Territories look particularly interesting with strong indications of the presence of oil and other minerals. Great advancement has been made in coping with climatic conditions and the Conservative government is committed to a program of northern development. Admission of Alaska to the Union may accelerate this development.

The United States view is well-stated in the following quote from the annual report of a Belgian investment fund — "Our confidence in the existence of further possibilities is not in the least diminished by the current economic problems in Canada because the increasing population and industrialization of this great country, coupled with its immense natural resources and political stability cannot help but ensure a bright future."

To Be Partner in Lamson Bros. & Co.

CHICAGO, Ill. — On July 1 James F. Wade, Jr. will be admitted to partnership in Lamson Bros. & Co., 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges.

Midwest Stock Exch. Elects Chairman

CHICAGO, Ill.—The Midwest Stock Exchange has elected Sampson Rogers, Jr., McMaster Hutchinson & Co., chairman of the board of governors, succeeding Arthur G. Allyn, A. C. Allyn & Co.

W. C. O'Neil With Dean Witter & Co.

Dean Witter & Co., members of the New York Stock Exchange, announced that William C. O'Neil has become associated with the firm in the Savings Bank Department of its New York City, 14 Wall Street office. For the past seven years Mr. O'Neil was assistant vice-president of The East Brooklyn Savings Bank, Brooklyn, N. Y. in charge of security investments.

With A. G. Edwards

Benjamin Kaswell has joined A. G. Edwards & Sons, members of the New York Stock Exchange, as a registered representative in the firm's offices at 485 Lexington Avenue, New York City.

Inter-American Development Bank Is Essential to Western Hemisphere

By HON. ROBERT B. ANDERSON*
Secretary of the Treasury

Inter-American Development Bank and "Fund for Special Operations" receive Secretary of Treasury's endorsement. He refers to our sizable trade with Latin America, to our industry's tremendous stake and to the over one-third of our foreign investments in that area, and to the economic potential that requires supplemental source of capital. Mr. Anderson describes the provisions and organization of the Inter-American Bank and the Fund and contrasts them with the International Bank for Reconstruction and Development.

The President on May 11 sent a Special Message to the Congress recommending that the United States accept membership in the proposed Inter-American Development Bank. Attached to this message was a Special Report of the National Advisory Council on International Monetary and Financial Problems strongly recommending such action. I am appearing before you today to support the President's recommendation and urge your favorable consideration of this request. The bills before you, H. R. 7072 and H. R. 7073, provide for the acceptance of membership by the United States and make provision for authorization of the financial contribution necessary to effect our participation in this new institution.

Robert B. Anderson

Over a major portion of our history, the United States has forged a chain of cooperation with the nations of the Western Hemisphere. Step by step, together, we have acted on matters of mutual interest and for our mutual defense. The Organization of American States, the Inter-American Defense Board, the Inter-American Economic and Social Council, as well as many bilateral commissions and boards, bear witness to this fact of hemispheric cooperation. It has become apparent in recent years that an Inter-American financial institution would be an important link in this chain. Our neighbors to the south have advocated such an institution which would be tailored specifically to the needs and demands of the economic development of Latin America. They and we believe that a financial institution dealing specifically with Latin-American problems would be of tremendous importance and assistance, not only in terms of additional financing which would become available, but even more so in terms of the greater concentration of interest, activity, and mutual understanding of the economic development problems of Latin America.

Projects for an Inter-American Bank have been discussed over many years. At Buenos Aires in 1957 at the Economic Conference of the Organization of American States, the United States joined with the Latin American countries in a resolution recommending that the Inter-American Economic and Social Council convoke a specialized committee of governmental representatives to study the problems of financing economic development, including consideration of proposals for an Inter-American financial institution. Here in the United States, the conviction has grown that it would be in our interest to join with the other American Republics in founding a new bank which would concentrate on the problems of this hemisphere and in which the Latin American countries would provide a substantial part of the resources and a great deal of the initiative and management.

Occasion Is Propitious

At no time in the past have conditions appeared so propitious for establishment of an Inter-American Bank as they do at the present time. In recent years there has been a marked growth in Latin American interest in economic cooperation not only with the United States but among the various Latin American countries themselves.

This new trend toward economic cooperation means, I believe, that efforts to establish a new Inter-American Bank *now* are much more timely than they would have been in the past and that such efforts are much more likely to be successful.

United States support for the establishment of a new institution was announced last August by Under-Secretary of State Dillon. A specialized committee for negotiating and drafting a charter for the new financial institution met in Washington in January, 1959, at the Pan-American Union and drafted an agreement which was signed on April 9 by the representatives of the 21 American Republics. This agreement was widely hailed as a great step forward in United States-Latin American relations. In a letter to the Conference, President Eisenhower stated:

"I believe that the proposed Inter-American Development Bank, when approved by the members of the Organization of American States, will make a significant contribution to the continuing economic progress of the American Republics and stand as an enduring testimonial to the spirit of cooperation among these nations."

This agreement is now being submitted to the governments for acceptance or ratification in accordance with their own constitutional processes. H. R. 7072 and 7073 provide the necessary authority for participation by the United States.

As a matter of national policy, the United States has developed over many years close relations with the 20 other republics in this hemisphere. We have had for more than a century the friendliest relationships with these countries, both politically and economically. The new bank will help to maintain and strengthen these good relations and intimate associations in world affairs.

Trade, and Investment Stake

One aspect of this relationship is our trade with Latin America, which forms a large part of our total international trade. About 30% of our imports come from Latin American countries, and about one-fourth of our exports go to those countries. Our imports from these 20 countries have been running in recent years at an annual rate of $3½ billion. Our exports to Latin America have been around $4 billion. We sell to these countries machinery and vehicles, chemicals and textiles, and a great variety of manufactured products. Trade with the United States is also of the greatest importance to the Latin American countries. Over half of their imports annually come from the United States, and about half of their exports go to the United States. Our trade relations, therefore, necessarily loom very large in the thinking of the Latin American countries and our trade with Latin America is of tremendous importance to us. It is vital for us to continue the expansion of our trade with the American Republics.

American industry also has a tremendous stake in Latin America. American companies have invested $8.8 billion in branches and subsidiaries in Latin America. Our investments in Latin America represent about 35% of our total foreign direct investments. In recent years U. S. investors have reinvested in Latin America annually over $200 million of their earnings. Our investments are an added reason for assisting Latin American economic development.

Economic Potential

Many of the countries of Latin America today are far from realizing their economic potential. Many of them have vast natural resources which are as yet untapped. In fact, some of these countries have never even been fully explored. With their expanding populations, they have increasing manpower to develop their resources and industries, and with further investment of capital and technical assistance, they can utilize this manpower more efficiently to produce more for their own consumption and for world markets. In Latin America as elsewhere, the main source of capital must, of course, be the work and savings of the people living there. But these economies cannot obtain the capital goods they need for expanding production except by importing these goods from abroad and obtaining from abroad a considerable part of the necessary financing as the United States did in the last century. Private capital has been and must continue to be the major source of such financing, but there are areas in which private capital cannot be expected to do the job.

The proposed Inter-American Development Bank has been designed for the particular purpose of expanding the growth of Latin America under present conditions. The Bank will provide additional needed finance by making loans to supplement other sources of credit. It will also provide assistance to these countries in formulating development programs and in engineering and organizing particular projects. Its technical assistance work will help Latin American countries in obtaining capital, not only from the Inter-American Bank, but from other existing institutions, and more importantly, from the private capital market. The Inter-American Bank can assist the countries in formulating and presenting their projects and in making most effective use of their borrowing capacity.

Co-operative Venture

The Inter-American Development Bank is designed to enlist the full cooperation of the Latin American countries in a joint enterprise with the United States. All will share a part of the cost and in the responsibility for managing the institution successfully. The Bank should assist the countries in mobilizing their own resources and in encouraging domestic and foreign private capital to undertake desirable investments. By concentrating on the problems of the other American Republics, it can give close attention to their needs. The assumption by the Latin Americans of a major responsibility for management, both as lenders and as borrowers, should facilitate the harmonious economic development of all these countries.

The total resources of the Bank will amount to $1 billion, of which $850 million will be the authorized capital stock for its ordinary operations, and $150 million will be the initial resources of the "Fund for Special Operations," which I will discuss presently.

The United States subscription will be $350 million, or 41% of the total ordinary capital of the Bank. The shares of the other members are generally in proportion to their proposed new quotas in the International Monetary Fund. Of the total capital, $400 million is to be paid-in capital, with an initial instalment of 20% to be paid by each country on or after acceptance of membership, but in any event not later than Sept. 30, 1960. A second instalment of 40% will be payable when the Bank calls it, not before Sept. 30, 1961, and a third instalment of 40% when the Bank calls it, not before Sept. 30, 1962. The three-instalment arrangement will spread the burden on the budgets of the member countries and on their foreign exchange resources over a period of two or more years.

One-half of each installment must be paid by each member country in gold or United States dollars. The other half is paid in the national currency of the member. The second installment cannot be called unless 90% of the total amount due from all members on the first installment has been paid, and similarly the third installment cannot become due until 90% of the second installment has been paid. These provisions assure that practically all of the members must participate. The 10% leeway may be necessary in case one or two countries are definitely unable to provide their payments.

Guarantee Fund for Its Bonds

The second part of the Bank's capital is to consist of $450 million in callable capital. This part of the capital is intended to provide a guarantee fund for the bonds, or other securities which the Bank may sell to private investors. In this way, eventually a good portion of the resources which the Bank will have for its lending operations will come from the private investors who buy its securities rather than from the public treasuries of the members. You will note that the bills before you also make provision for the marketing of these securities in the United States on the same basis as the securities of the International Bank. It is not anticipated that the Bank will find it necessary to make a call, since calls may be made only to meet the Bank's liabilities on obligations which it has issued or guarantees which it has made. Should a call be made, it will be on a *pro rata* basis and must be paid in gold, dollars, or the cur-

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*Statement by Mr. Anderson before the House Banking and Currency Committee, Washington, D. C., June 3, 1959.

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SEC on Callable Utility Issues And Deferred Tax Credits

respect to liberalized depreciation and accelerated amortization.

Origin of SEC Laws

The Securities Act of 1933 was passed by the Congress in the realization that lax financial and ethical standards were undermining the integrity of our capital markets, destroying investor confidence, and leading the business and financial enterprises of this country to the brink of disaster. The decline in security values beginning in October, 1929, made clear the pressing need for the establishment and preservation of higher standards of business conduct if the American system of private capital was to survive. State "blue sky" laws, while most helpful, were found to be inadequate fully to meet the situation not only because of wide variations between states in their approach to this problem, but also because, with financial maturity, state lines were coming to be of less importance, and State authorities were unable to cope with the interstate activities of unscrupulous promoters.

The Securities Act of 1933 was the first of the several so-called Securities Acts passed by the Congress. Its two principal objectives were, first, to protect investors by requiring adequate and accurate disclosure regarding securities distributed to the public in interstate commerce or by use of the mails, and second, to outlaw fraud in the sale of all securities, whether or not newly issued. The 1933 Act was followed in 1934 by the enactment of the Securities Exchange Act, under which the Securities and Exchange Commission was established and which extended regulatory control to stock exchanges and broker-dealers. The next major legislation came in 1935, with the enactment of the Public Utility Holding Company Act. The balance of the Securities Acts, which are of less immediate interest to this particular group, are the Trust Indenture Act of 1939, the Investment Company Act of 1940 and the Investment Advisors Act of the same year.

While a very large number of other factors are, of course, also responsible for the tremendous expansion in our economy since the dismal days of the '30s, there can be no question but that the enactment of the Securities Act of 1933 and the other securities legislation has increased investor confidence and has thereby been of substantial assistance in enabling corporations to secure the vast amounts of capital they have required for their expansion. By 1933, approximately half of the $50 billion of new issues sold to American investors between 1920 and 1933 had become worthless. Since 1933, there have been effectively registered under the Securities Act, corporate securities of an aggregate issue value of about $161 billion. Not all of these securities, of course, are today worth the issue price. Some of them have become worthless and others have increased enormously in value. There have been broad market price fluctuations over the years affecting these values, sometimes up, sometimes down, but there has been no major wholesale devaluation since 1933 to compare, even remotely, with that which took place prior to that time. In fact, many shrewd, observant economists are of the opinion that the Securities Laws, together with the substantial body of other regulatory legislation now on the books, have served and will serve to prevent any such phenomenon based on anything less than international disaster.

The confidence of investors in corporate investment today is such that new financing records are being made each passing year. The dollar amount of new securities registered with the Commission in the fiscal year ending June 30, 1958, totaled $16.9 billion — the largest amount in the history of the Commission. The number of registration statements filed with the Commission and their value since July 1, 1958, have set new records. We expect that the value figure for the current fiscal year will be $18 billion, and that it will reach $22 billion in fiscal 1960. The number of registrations is currently running about 29% over those filed in the comparable period last year.

Explains Holding Act's Intent

The 1933 Act was premised on the principle that full disclosure of all pertinent financial data should be made to the prospective investor. The duty of the SEC under this Act is only to administer these statutory provisions. It has no power to evaluate any proposed security thereunder, nor to prevent its sale under a properly filed and fully frank registration statement. Strictly speaking, the SEC regulates only the sale of securities under this legislation, not the securities themselves. The Public Utility Holding Company Act of 1935, however, gives the Commission substantial regulatory power over the financial structure and activities of those electric and gas utility holding company systems which come under its jurisdiction. The underlying objective of the 1935 Act was to free operating electric and gas utility companies from the control of absentee and uneconomic holding companies, and to permit them to be effectively regulated by the States in which they were operating. At the same time, the 1935 Act contemplated the existence of such public utility holding companies as served a useful economic function and whose operations were limited to an integrated system. Such holding companies and their constituent operating companies were, however, to be subject to continued and detailed regulation designed to prevent the recurrence of the abuses which brought about the enactment of this law.

A principal mandate under the 1935 Act was to require the physical integration of public utility companies and functionally related properties of holding company systems and to compel the simplification of intercorporate relationship and the financial structures of holding company systems. While most of these problems as they existed at the time of adoption of the Act have been resolved, there still remain some important questions which must eventually be faced.

Redemption of Bonds

The second area of our jurisdiction under the 1935 Act covers the financing operations of the residual large holding companies and their subsidiaries, acquisitions and dispositions of securities and properties, accounting practices, servicing arrangements, and intercompany transactions. It is in this area that we are called upon to determine whether debt securities of utility companies should be freely refundable.

The redemption characteristic of senior securities has been a very much discussed and debated subject for years. I have in the past had occasion to restate the Commission's policy of insisting upon free refundability of such securities. I have been referred to no evidence which would alter our position in this respect and I should like to discuss one or two studies which have been made relatively recently and which I feel give it substantial support.

In order to put our position in proper focus, I should like to point out that our jurisdiction to pass upon these particular provisions of mortgage bond indentures stems only from the Public Utility Holding Company Act of 1935. We have no jurisdiction under this Act or under the 1939 Act to pass upon such indenture provisions of industrial corporations or of utility companies not subject to the 1935 Act. Our jurisdiction under the 1935 Act extends, in terms of assets, to roughly one-fifth of the privately-owned electric and gas utility industry. A number of provisions of the Holding Company Act give us specific authority to consider the question of free refundability of the senior securities of these companies. All of such provisions must be interpreted in the context of Section 1(b) of the Act, which declares that the national public interest and the interest of investors and consumers are or may be adversely affected by lack of economies in the raising of capital. We have considered that the Act thus directs the Commission to protect the consuming public against the imposition of excessive interest costs, and that it is necessary in order to obtain this result for us to insist that utility bond issues be freely refundable upon the payment of reasonable redemption premiums.

The Commission set forth its position on free refundability in two cases in 1953; *Indiana & Michigan Electric Company* (35 S. E. C. 321) and *Arkansas Louisiana Gas Company* (35 S. E. C. 313). The positions set forth in those cases were adopted in the Statement of Policy promulgated by the Commission on Feb. 16, 1956, regarding first mortgage bonds subject to the 1935 Act. This Statement of Policy states in part that "the indenture . . . of the issuer . . . shall provide that the bonds can be called by the [issuer] for redemption at any time upon reasonable notice and with reasonable redemption premiums, if any." You will note that this Statement, while it requires a reasonable redemption premium, does not set forth any formula for determining the amount of such premium. The Commission has, however, adopted a rule-of-thumb formula under which the initial redemption price may not exceed the sum of the initial public offering price plus the interest rate. Thus, if bonds are offered to the public at 101 and bear a 5% coupon, the initial redemption price may not exceed 106, and the 6-point premium must thereafter be reduced pro rata to maturity.

Refers to Most Recent Study

Those who disagree with our policy of free refundability have advanced a number of arguments in favor of their position. They contend, for example, that an issuer of freely refundable securities is forced to pay higher interest rates in the market than it would have been required to pay if the security had a restriction on refundability. In the nature of things, it is difficult to isolate the evidence which would support or contradict such an argument or, for that matter, any similar argument. There are obviously many factors which enter into the pricing of any security of which refundability is only one. No two utilities are exactly alike, nor are any two issues identical in all respects. To date, however, the evidence which has been adduced in support of such a statement has not been substantial or convincing. On the other hand, the SEC has conducted certain internal studies which point unmistakably to the conclusion that the interest rate is not significantly affected by the absence or inclusion of a restriction on refundability. This conclusion was recently affirmed by certain studies made under the direction of Dean Willis J. Winn and Professor Arleigh Hess, Jr., of the Wharton School of Finance and Commerce of the University of Pennsylvania. These analysts stated at the annual meeting of the American Finance Association in Chicago, in December 1958, that data accumulated on corporate bond issues offered between 1945 and 1958 indicated that the presence or absence of the call privilege appeared to have no significant effect on the interest rate.

Market Acceptance Argument

A second argument made in this debate is that certain large institutional investors do not look with favor on the purchase of freely refundable bonds and that the Commission is, in effect, thus drying up or removing possible sources of capital available to the electric and gas utility industries. If our policy created any visible substantial difficulties with respect to the marketing of senior securities by utility companies, we would, of course, be seriously concerned and would reappraise our policy in the light of such evidence. In an effort to evaluate this contention, the Commission recently directed Mr. J. Arnold Pines, Chief Financial Analyst of our Division of Corporate Regulation, which administers the 1935 Act, to make a study of refundable and non-refundable issues to determine whether in fact there appears to be any significant difference in the marketability of the two types of issues.

In making this study, Mr. Pines secured data on all issues of electric, gas and utility bonds offered at competitive bidding between May 14, 1957 and Nov. 30, 1958, specifically securing the number of bids which were made for each issue and information as to the market success or failure of the particular issue. A total of 137 issues aggregating $2,956,000,000 were studied. Of this total, the refundable issues numbered 109 and represented an aggregate face amount of $2,005,000,000. The non-refundable issues, each non-refundable for a period of five years, numbered 28 and totaled $951,000,000. While, as I have pointed out, a number of factors other than callability can affect the number of bids received and the market success of the particular issue, there is, statistically, a tendency for such factors to cancel out in a study of a relatively large number of issues. The median number of bids on both the refundable and non-refundable issues represented was four for each group. The weighted average number of bids received on the refundables was 4.46, while that on non-refundables was 4.11. In evaluating the marketing success of the particular issues, an issue was termed successful if at least 95% of the issue was sold at the syndicate price. On this basis, 75.2% of the 109 refundable issues were successful and 75.0% of the 28 non-refundable issues were successful. We believe that the only possible conclusion is that there is no significant difference between the market acceptance of refundable and non-refundable issues, and that call privileges do not raise any serious impediment to the securing of capital by private utility companies.

I asked Mr. Pines to review certain issues of western utility companies in the past six months since his previous study was completed to see whether there appeared to be any significant evidence as to marketing results. He found six such issues put out by western issuers, of which two were refundable and four had a five-year restriction on refundability. Of the four non-refundable issues, three were successfully marketed by the selling syndicate. The selling syndicate on the fourth issue was broken up with less than one-third of the issue sold. With respect to the two refundable issues, one was successfully sold and the syndicate on the other was terminated with 20% unsold. While no far-reaching conclusions can be made on the basis of a study of such limited data covering a relatively short period of time, this evidence of market performance would appear to be in accord with the previous study, and shows no significant difference between the market acceptance of refundable as against non-refundable issues.

What About the Investor

Finally, one of the arguments we hear most often in opposition to the policy of the Commission is that it provides a "one-way street" in favor of consumers only and that it disregards the rights of investors. It is true that this particular provision favors the utility and its consumers, consistently with the expressed policy of Congress in adopting the 1935 Act. It seems to us, however, that the investor has a certain duty in these premises, and that this argument takes this portion of the Statement of Policy out of context and over-emphasizes its importance and effect. The Statement of Policy contains many provisions other than those which relate to refundability and which either give additional rights to or serve to protect existing rights of investors. For instance, it contains certain restrictions against the issuance of additional bonds, and provides for sinking and improvement funds, and for renewal and replacement funds. It provides further for restrictions on the declaration of dividends. All of these requirements provide substantial protection to the investor. In short, in drafting this statement, the SEC did not favor either the investor over the consumer or vice versa, but rather sought to protect the interest of each in accordance with the policies declared in the Act.

At the time I first publicly discussed this situation about a year ago, I felt it proper to suggest to the State Public Utility Commissions that the adoption of a parallel policy in dealing with local issuing utilities might be of mutual benefit. I still feel this way, and urge reconsideration of the policies of such of your agencies as do not comport with our Statement in this regard. If there is universal acceptance of this viewpoint as between the Federal and the local agencies acting within the orbits of their respective jurisdictions, it seems patent to me that much of whatever validity there may be in the contentions of those who advocate redemption freezing provisions will be negated. In the presence of the current increasingly high interest rates, it seems quite clear that such a cooperative program can have no result except to benefit the ultimate consumer in the rates which he will be required to pay for utility service.

Deferred Tax Accounting

I do not suppose that there is any subject in the field of utility law and accounting that has aroused as much and as bitter controversy in recent years as has the matter of deferred tax accounting. Although I could not be there myself, I note that the effect upon utility rates of this matter was the subject of its usual careful attention at the Phoenix convention of the NARUC last year. As was shown at that time, and as confirmed by an extremely detailed brief since filed with us, the large majority of State agencies has had occasion to consider this matter in one or another of its aspects as it affects either the accounting practices of operating

utilities or their rates. The result is a singular lack of uniformity as between states. Practically every conceivable treatment of this problem has been authorized by one or more state commissions, and each method is stoutly defended by its proponents. The SEC now finds itself constrained by the growing importance of the problem to consider the accounting problems involved and whether they are affected by the various provisions of the Securities Acts.

I will attempt only to sketch the background of our concern very briefly.

Section 167 of the Internal Revenue Code of 1954 authorizes the deduction of depreciation for tax purposes on fixed assets installed after Dec. 31, 1953, on a more liberal basis than theretofore permitted through authorization of the use of the declining-balance and the sum-of-the-years-digits methods. Under Section 168 of the Code, the amortization was also permitted for tax purposes over a five-year period, under prescribed conditions of specific emergency facilities installed after Dec. 31, 1949. The larger depreciation or amortization deductions thus permitted for tax purposes in the earlier years of the life of the related fixed assets would be offset by the correspondingly smaller depreciation deductions available for tax purposes in the later years. As a consequence, income taxes in the earlier years would be expected to be less than they would otherwise be if traditional methods of depreciation were employed, while the converse would be true in the later years.

In the case of industrial companies, a substantial number of those which deduct liberalized depreciation in their income tax returns follow the practice of deducting an equal amount for financial accounting purposes. Other industrial companies deduct normal depreciation for financial accounting purposes and, where the current reductions in income taxes are material, make a charge to the income account for the tax effect representing a provision for future or deferred income taxes with a concurrent credit to a deferred tax account in the balance sheet. This concurrent charge and credit entry for the current tax reduction has come to be known as deferred tax accounting. A permissible alternative to deferred tax accounting, followed by various industrial companies, which has the same effect on current net income as deferred tax accounting, involves a charge to depreciation expense and a credit to the reserve for depreciation for the tax effect of liberalized depreciation. With respect to accelerated amortization, some industrial companies also provide in their books an amount for such expense equal to the amount of amortization deducted for tax purposes, but other companies which deduct accelerated amortization in their tax returns employ deferred tax accounting for financial accounting purposes. Such companies have invariably classified the deferred tax account in the balance sheet among the liability reserves or deferred credits, or analogous accounts, but in no event as a part of the stockholders' equity capital.

Lack of Uniformity

In the case of electric and gas utility companies, however, the financial accounting employed by companies which have elected to deduct liberalized depreciation or accelerated amortization in their income tax returns has, as I have pointed out, been marked by a remarkable lack of uniformity. Such different methods of accounting have respectively been certified by reputable accountants as being in conformity with generally accepted accounting principles. Most public utility companies have classified the accumulated balance-sheet credits to reserves or deferred credits or other non-equity accounts. Others have classified the accumulated amounts as a part of restricted earned surplus in the equity capital section of the balance sheet, while a few others, although identifying them as restricted earned surplus, have not included them in the equity capital section of the balance sheet. Still other utility companies have followed what has been called the "flow-through" method; i.e., they have not employed deferred tax accounting and have shown in the income statement normal depreciation charged and the actual current income tax provision, without provision for future income taxes.

The difference in treatment of deferred tax accounting as between industrial concerns and utilities is not surprising. Generally speaking, little real attention is paid by analysts to the debt ratio of industrial corporations and, in fact, most such companies do a large part of their financing by sale of equity securities or out of cash internally generated. None of these statements holds true for utilities, however, whose earnings, though very steady, are severely restricted by regulation. Here the debt ratio becomes of great importance. According to a study made by the Irving Trust Company, there are wide divergences of views among securities analysts as to analytical treatment of accruals under deferred tax accounting, though they are practically unanimous in excluding from equity capital funds in computing debt ratios such accruals when placed in a special reserve. On the other hand, some of them give the same treatment to a restricted earned surplus account so generated.

After extended consideration of the problem of deferred tax accounting, the Federal Power Commission, on May 29, 1958, issued two orders—one (No. 203) dealing with natural gas companies subject to the Natural Gas Act and the other (No. 204) dealing with electric utility companies subject to the Federal Power Act. Those orders do not make mandatory the use of deferred tax accounting for financial accounting purposes by those companies which elect to deduct liberalized depreciation or accelerated amortization in their income tax returns. Rather they provide that where the company does employ deferred tax accounting, the balance-sheet credit shall be classified in a new account (Account No. 266) entitled "Accumulated Deferred Taxes on Income." The Federal Power Commission by these orders also amended its applicable uniform systems of accounts to provide for this new account and related accounts.

Shortly thereafter, in July, 1958, the Committee on Accounting Procedure of the American Institute of Certified Public Accountants issued Accounting Research Bulletin No. 44 (Revised), dealing with the subject of liberalized depreciation for financial accounting purposes. The import and effect of this release are in considerable dispute with respect to the classification of the deferred tax credit.

A Registration Statement Allowed

Two months later, in September, 1958, a public utility subsidiary of a registered holding company filed with us a registration statement under the Securities Act of 1933 and a declaration under the Public Utility Holding Company Act of 1935 with respect to the proposed issue and sale of first mortgage bonds at competitive bidding. In the financial statement submitted by the registrant company, which is also subject to the accounting jurisdiction of the Federal Power Commission, the balance sheet carried the accumulated credits arising from the use of deferred tax accounting in respect of both liberalized depreciation and accelerated amortization as restricted earned surplus and stated them as a part of the equity capital of the company. Our staff questioned the propriety of this classification in the light of Order No. 204 of the Federal Power Commission. It may be noted that an order of one of the State regulatory commissions to which this company is also subject as to a minor portion of its utility operations, authorized a restricted earned surplus classification. The other State commission having jurisdiction over the major distributing facilities had recently issued an order directing the company to transfer the accumulated credits from restricted earned surplus to a reserve account, from which order the company had initiated an appeal.

Rule 28 promulgated by the Securities and Exchange Commission under the 1935 Act prohibits a registered holding company or a subsidiary company thereof from distributing to its security holders, or publishing, financial statements which are inconsistent with the book accounts of such company or with financial statements filed by it with the Commission. One of the considerations raised by our staff in the case to which I have just referred was whether the applicability of Order No. 204 of the Federal Power Commission to the registrant rendered the publishing of any financial statement inconsistent therewith violative of the provisions of Rule 28.

After informal discussions between us and representatives of the company, we determined not to cite the company's classification as a deficiency in view of the great importance of this matter, not only to that particular registrant but also to a large number of other companies. Consequently, we permitted the registration statement to become effective and the securities to be sold on the basis of full disclosure in footnotes to the financial statements of the different positions taken by the several regulatory agencies concerned with this company's affairs.

Proposed Policy

Largely as a result of this particular matter and Accounting Bulletin No. 44 (Revised), and having in mind the very substantial amounts involved, the Securities and Exchange Commission, acting under the authority of the various Acts it administers, issued on Dec. 30, 1958, a "Notice of Intention to Announce Interpretation of Administrative Policy." The Notice stated that any financial statement which designates as earned surplus or its equivalent or includes as a part of equity capital (even though accompanied by words of limitation such as "restricted" or "appropriated") the accumulated credit arising from deferred tax accounting in respect of liberalized depreciation or accelerated amortization, would be presumed by the Commission "to be misleading or inaccurate despite disclosure contained in the certificate of the accountant or in footnotes to the statements provide the matters involved are material.[1]

A very substantial number of comments were received in response to the Commission's invitation for views and comments. Certain of the commentators agreed with the Commission's proposed policy and some even stated that the Commission did not go far enough. On the other hand, other commentators contended that the Commission should not adopt the policy statement for various reasons. I cannot, of course, undertake at this time to summarize all of these replies. I can say, however, that those who favor the Commission's proposal generally take the position that the deduction of liberalized depreciation or accelerated amortization in the income tax return does not result in aggregate deductions over the life of the related fixed assets in excess of the cost of such assets, but rather only in a shift in timing of the deduction resulting in a deferment of tax liability from the earlier years to the later years of the life of the related assets. Accordingly, it is their position that the accumulated balance-sheet credit is in the nature of a reserve or liability for the deferred income tax that will be payable in later years, and, consequently, it cannot be regarded as equity capital belonging to the stockholders.

Those opposed to adoption of the policy statement contend that the accumulated balance-sheet credit is properly classifiable as earned surplus, although restricted, since no current cost or expense to the corporation has been incurred by the charge to income for the current tax reduction. They contend that no presently existing liability to anybody exists and, therefore, the accumulated credit balance belongs to the stockholders. They also urge that public utility companies should be treated differently from industrial companies because of rate-making considerations involving consumers and because the state regulatory commissions have jurisdiction over rates. They also state that the consumers are benefited by the restricted earned surplus method since the equity capital ratios are thereby improved, and the utility company is free to issue correspondingly more debt securities for purposes of financing construction than it would otherwise be permitted to issue under regulatory standards, having in mind the deductibility for tax purposes of interest on the debt.

That we are not dealing with semantics, but rather with matters involving material sums of money, is evident from the fact that at the end of 1957, according to statistics put out by the Federal Power Commission, the aggregate amount of accumulated balance-sheet credits of class A and class B companies attributable to both liberalized depreciation and accelerated amortization totaled $694,433,000 in respect of electric utility companies (of which $402,969,000 was included in restricted earned surplus and $291,464,000 in reserve-type accounts) and $98,322,000 in respect of natural gas and pipeline companies (all of which was included in reserve-type accounts), or a grand total of $792,755,000. At the same date, the registered electric and gas holding company systems subject to the Public Utility Holding Company Act of 1935 had an aggregate amount of accumulated balance-sheet credits of $218,091,000, or 27.5% of the national total. I might point out that one year later, at Dec. 31, 1958, our registered holding company systems had increased their accumulated balance-sheet credits to $292,451,000. I do not yet have available the national total as of the end of 1958. It is also interesting to note that, whereas the registered holding company systems at the end of 1957 had classified 58.0% of their accumulated credits outside the equity capital section of the balance sheet and 42.0% in the equity capital section, the respective ratios at the end of 1958 were 68.6% and 31.4%.

Still Under Advisement

Public hearings on the Commission's proposed policy statement were held before the full Commission on April 8 and 10, 1959, and we now have the matter under advisement. Some public service commissioners, as I recall it, took the position that we should not attempt to impose such a rule upon the entire industry, but should leave the matter to the states to regulate.

Unfortunately, with the situation in this unresolved state, I am unable to come to any very definite conclusions. I bring it up for two rather limited purposes: first, to report on developments in a field in which you are officially very much interested; and second, because this seems to me to be another field in which the SEC and the state utility commissions have mutual problems whose solution calls for sympathetic and cooperative mutual consideration and understanding.

[1] SEC Accounting Series Release No. 4.

Bertel Malmquist With McCormick & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Bertel M. Malmquist has become associated

Bertel T. Malmquist

with McCormick & Co., 231 South La Salle Street. Mr. Malmquist was formerly a partner in Glore, Forgan & Co., with which he had been associated for a number of years.

New McDonnell Branch

TOMS RIVER, N. J.—McDonnell & Co. Incorporated has opened a branch office in the Locust Shopping Center under the management of Clinton G. Hough.

THE MARKET . . . AND YOU

By WALLACE STREETE

The bears truly came into their own this week—at least temporarily. After declining in varying degrees in five successive sessions, the market really broke on Monday, with a decline of 8.36 in the D. J. Industrial Average; the greatest since May 7. A loss held to four points followed on Tuesday. Fund managers reported that during the liquidation there was a dearth of sizable bids in some important market areas, including the utilities. Despite Wednesday's brisk rally of 9.65, the Average so far this month showed a net decline of 17 points, or about 3%.

The Yield Factors

Besides the usual after-the-event explanation of "the obvious need for correction," recent markets have suffered from airing of the Treasury's borrowing difficulties. Thus, Monday's break coincided with the President's formalizing of his proposals for raising or abolishing the statutory ceiling on the interest rate the Government can pay on its long-term bonds, and on savings bonds. Thus, the bearish market factor of the unprecedented excess of the yield on bonds over stocks is being publicly advertised at the highest level. Remaining bulls, however, are finding some solace in the inflationary aspects of the prospective rise in the debt ceiling. Also there is the bullish possibility of a politically-inspired Congress causing a fresh resort to the printing press via a turndown of the interest rate rise proposal.

Business News Constructive

Those observers who believe that signs of business recession will ring an audible finally "closing bell" for the benefit of the market bulls, are encouraged news-wise in their optimism over the future course of stock prices. The previous all-time record for manufacturers' sales, established in January 1957, was broken in April. The month also set a new peak for new orders, well in excess of their level in March. Department of Commerce figures showed new construction outlays at the highest record for the first five months of this year; with a marked pickup in revenue freight carloadings. Apparently manifesting consumer prosperity and confidence was the record April increase, by $423 million in consumer debt, heavily centered in automobiles. (Come a bear market, will the enormous spawning of consumer credit of all varieties be regarded as an unhealthy factor?) Although the threats of a steel strike have undoubtedly caused over-accumulation of inventories in some areas, the overall picture seems to show careful control of inventories. The ratio of inventories to sales, down 20% from a year ago, is the lowest since November 1955. And although seasonally adjusted new orders are running $800 million ahead of sales, the overall reduction in backlogs has been negligible.

Outlook for the Oils

Although the petroleum stocks have persisted as laggards through succeeding phases of the bull market, sentiment regarding them has been distinctly picking up. Some paring down of the excessive industries has been reported, along with an improvement in the price structure and a widening in the refiners' spread. First quarter results thus far coming to hand seem to indicate a moderate increase in profits for this year, largely concentrated in the refining and marketing companies rather than the crude producers. The overhanging inventory problem and drastic limitation by the prorationing authorities, as in Texas, will, it is felt, make for the continuation of this divergent situation over the near-term—with the companies possessing large reserves coming into their own over the long-term.

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Speculation over the implications of the coming of the smaller-sized automobile has spilled over into the oil marketing area. It is estimated in some quarters that consumption per gas station customer will decline slightly; which will be more than compensated for in other sectors of the industry.

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Securities-wise, the "technical position" of the oils may be in a state of long-term impairment by reason of their already existing predominance in the portfolios of the mutual funds and other institutional holders.

Back to Convertibles

As a by-product of the worries over the course of stock prices, renewed interest is again being shown in convertible bonds—as a way to have one's cake and eat it too. One of the more interesting issues in this area seems to be Cerro de Pasco convertible debentures 5½s of 1979. Selling at 108½ and yielding 4.8%, this issue stands at about 14 points above its true investment value—or 94 and a 6% yield. Hence, 14 points are being paid for a conversion privilege which entitles the holder to convert into common at $52.15 a share through 1968. The common is now selling at 43. Hence the price being paid for the 10-year call seems to be attractive.

Ambivalence Toward the Utilities

The investor considering the public utilities finds himself with mixed emotions. Shall he emphasize the effect of the sharply rising money rates on available competing yields and price; or will he give principal weight to the long-term growth element in many of the issues? Commonwealth Edison constitutes a good example of a slow and steady growth company—with its price now 60, down from a recent high of 64. At this price the stock is selling at 16.6 times its estimated 1959 earnings of $3.60 — up from the 1958 figure of $3.28. Analysts calculate that the annual earnings increase will be about 15 cents per share over the next five years—signifying a figure of $4.35 at the end of a five-year interval. The company adopted a new dividend policy last year, consisting of a $2 cash disbursement, plus a stock dividend at the end of the year covering all of the balance of the earnings. At the present price of the stock, the total value of the dividends would be $3.44, or a yield of 5.75%.

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One issue which is becoming de-hybridized and streamlined into attractive investment shape is far-flung Olin Mathieson Chemical Corporation. Last year this company reported net earnings of only 70 cents per share. However, since this was after writing off $2.20 a share in special charges and a credit from the sale of investments of 38 cents, the operating income amounted to $2.20. Since the greater portion of special expenses in connection with new plants has been completed, future per share earnings may well work from $3 upward. This digestion of new facilities has been mainly centered in chemical and aluminum plants. The company's financial condition is strong, eliminating the need for new financing over the foreseeable future. Continuing growth is assured by the fact that each of the domestic operating divisions is in the process of setting up seven-year expansion programs—which might well double present revenues and earnings within the next five years.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

From Washington Ahead of the News

By CARLISLE BARGERON

All of the governments represented at Geneva have large propaganda staffs. They are vying with each other in trying to get out their message, to impress the world. World opinion is what they are interested in. I doubt that the conferees seriously hope to accomplish anything, but they want to pin the blame on the other fellow.

Carlisle Bargeron

I would be interested in knowing just what part of the world they want to get their message to. Just where is the world opinion they are courting. India, China, Indonesia? It is a cinch that the United States, Great Britain, France, Italy, Greece, Turkey, the Latin American countries are all on the side of the West. Russia has her satellites, Eastern Europe and Red China. They are not likely to be swung from one side to the other in anything that comes out of Geneva.

As a matter of fact, it is beginning to look as though the only thing that will come out is that we will be dealing with East Germany as a sovereignty. Khrushchev seems to be determined to make a separate treaty with East Germany which we can hardly oppose. To discourage him when he is trying to give up a country would put us in a very silly position.

We will undoubtedly make a hard and fast agreement with East Germany guaranteeing the corridor into Berlin. There will undoubtedly be incidents when the East Germans become obstreperous and we will have to use force. In this way the reunification of Germany might be brought about. The spectacle of us killing Germans — East Germans—might serve to unite all Germans. Blood is thicker than water.

There is the serious possibility, too, that some sort of a nuclear agreement will come out of the conference. Any limitation of arms agreement would mean nothing. We have no more than a corporal's guard in West Germany now.

The worthwhile thing would be Russia's agreement to withdraw to her borders, which she has no intention of doing. Aside from this, and the question of our being forced out of Berlin which is out of the question, and a nuclear agreement there is not much left to talk about and really no reason why there should be a summit conference.

Yet there probably will be one. The pressure on Mr. Eisenhower will be too hard for him to resist. The question will be that if Khrushchev is so anxious to talk to him, the President should respond. There is always the possibility that such a conference might do some good.

In the meantime matters to the south of us, in Latin America, seem to be worsening. There is a growing feeling in Washington that some strong talking has got to be done to Cuba's Castro. He is feeling his oats and, while he may not be directly responsible for the recent provocative acts against Panama and Nicaragua, he lent encouragement to them by his silence and known attitude.

First, there was the invasion of Panama by a group of Cuban revolutionaries. When they were rounded up and caught Castro insisted that they be treated as erring boys. More recently three boat loads of Cuban rebels were reported headed for Nicaragua which is having trouble putting down a revolution. Nicaragua appealed to the Organization of American States. Castro insisted it was a local affair and the organization had nothing to do with it.

Under a treaty signed at Rio de Janeiro, Brazil, Sept. 2, 1947, all member states are pledged to go to the assistance of a member state when attacked. The United States is a party to the treaty.

A few days ago Senator Capehart, of Indiana, called upon the State Department to reaffirm its intention to see that the provisions of this treaty are enforced. He insisted that the State Department warn all of the Latin American nations that it would brook no interference with the treaty. Purely local manifestations or revolutions are, of course, beyond our reach but when one Latin American country sends in reinforcements or permits them to leave the country for the purpose of participating in the revolution of another country it ceases to be purely a local disturbance.

There is no doubt but that the rebels who reached Panama and these reported to have been en route to Nicaragua are Communist inspired.

Wm. B. Chappell Pres. Of Bond Club of N. Y.

William B. Chappell, of The First Boston Corporation, has been elected President of The Bond Club of New York to succeed Harold H. Cook of Spencer Trask & Co.

W. B. Chappell

The election and annual meeting took place as one of the main events of the Bond Club Field Day at the Sleepy Hollow Country Club.

Raymond D. Stitzer of White, Weld & Co. was elected Vice-President to succeed Mr. Chappell. The new officers also include Orland K. Zeugner of Stone & Webster Securities Corporation as secretary, and Philip K. Bartow, Jr. of Drexel & Co., as treasurer.

Three new members of the Board of Governors also elected are: Robert H. B. Baldwin of Morgan Stanley & Co., Robert C. Johnson of Kidder, Peabody & Co., and David J. Lewis of Paine, Webber, Jackson & Curtis.

Winners in the Golf Tournament which was a feature of the day were:

Ex-President's Cup for Low Gross: William E. Hutton, W. E. Hutton & Co. and Thomas Choate, White, Weld & Co.

Candee Cup for Low Net: George Nelson, Gregory & Son, and George Bell, Drexel & Co.

Christie Cup for Matched Play against Par: David McElroy, Clark, Dodge & Co., and Clarence Bartow, Drexel & Co.

The finals in the tennis tournament were rained out.


THE *FORWARD* LOOK
New truck swims rivers, climbs mountains, floats from the skies.
Developed for the Army by Chrysler Corporation, this aluminum 2½-ton-capacity truck is light, and yet rugged enough to be parachuted from the air. Even when loaded, it is still lighter than empty conventional 2½-ton vehicles. Eight-wheel drive carries it over rough terrain with the ease of a tank. An out-board on the tailgate takes it across rivers and lakes like a motorboat. The incorporation of commercial truck components makes it readily adaptable to volume production in existing manufacturing facilities, saving costly tooling and millions of dollars for the taxpayer. *Another example of The Forward Look at . . .*
CHRYSLER CORPORATION

There Goes Free Enterprise

By DONALD I. ROGERS*
Business and Financial Editor
New York "Herald Tribune"

Publicist asserts we are on brink of economic revolution, threatening loss of our unique economic system. Predicts tremendous prosperity, with great gains in Gross National Product, profits, production, consumer spending, plant expansion, and housing starts. At same time suggests following pitfalls: (1) inflation and flight from dollar; (2) labor strife, and (3) possible letdown in total spending. Emphasizes dethronement of the consumer, who is sabotaged by wage and price spiralling. Concludes our free enterprise system is slipping away from us, and urges us legally to prohibit industry-wide union bargaining and preserve corporate competition.

We are at the brink of an economic revolution. It could become an economic disaster. Oh, I'm not predicting another stock market crash.

Donald I. Rogers

We seem to regard a market crash and a depression as the worst thing that could happen to us. This is not so.

The worst thing that could happen to us, I suggest, is the loss of our unique enterprise system —the system which permits us to invest risk capital, to manufacture goods or perform services at a profit. If you enjoy the system of profitmaking, of profit incentives, then I should like to have you consider the startling fact that we are in imminent danger of losing that system. Consider also the corollary fact that once lost, it is irretrievable.

The horrifying truth is that our very prosperity is what will lose it for us. Not depression, where we turn to government help with make-work, make-votes programs —but prosperity itself is our greatest danger. You remember the old slogan on Cracker Jack—The more you eat, the more you want? It's the same with prosperity. We have become, as a people, insatiable, not content with mere good times, but hell-bent on overwhelming wealth and overburdening power.

Prosperity? Regard our prosperity for the remaining months of this year.

Most Americans will live better in 1959 than they did last year.

They'll earn more money and they'll spend more money. Also they'll probably borrow more money.

Dollars will be tempted from easily refilled wallets by the greatest array and variety of things and services that imaginative and enterprising man has yet conceived.

This, anybody will tell you, is prosperity.

The recession, that bugaboo that was foremost in everyone's mind a year ago, will be all but forgotten.

It is, it will continue to be, a paper prosperity. We will have to credit a great deal of our prosperity to inflation. We will have to blame most of our problems on inflation.

The New Economy

We are entering a new economy. It's no longer a postwar economy. That economy ended with the recession of 1958. This is something new, and in time the historians will find a name for it. Within another year we'll have a half-trillion dollar national economy — a goal that will be just out of reach of us in this year of 1959.

Everything will depend on how you measure things. If you're a statistician who measures from the basics of 20 years ago — that post-depression, prewar year of 1939—then there is less to cheer about. If you measure the prosperity of this new era as against the prosperity of the postwar period, then it's pretty cheerful to contemplate.

As in all other years of this decade, the automobile industry will power the economy. We will be moderately more prosperous or considerably more prosperous depending on success in Detroit. The sale of the new cars, the '59s and '60s will determine whether we get a jet thrust toward our half-trillion dollar economy, or whether we approach it in a more sedate fashion.

The 1959 Picture

But, for 1959, here's the picture. Prices will remain unchanged to slightly higher.

Spending will hit a new peak.

The Gross National Product, measure of the total output of goods and services, will establish a new record.

Production will set a new high.

Construction will hit a peak.

Savings will reach a new record.

Business expenditures will reach new records.

In short, we will be prosperous, more prosperous than we have ever been before, provided there are no unforeseen setbacks.

I'm not afraid of being wrong. I'm perfectly willing to make a forecast of specific figures for 1959. You can take them down, if you want to, and either give me hell or praise next New Year's Eve when all of the records for 1959 are in.

So, here's what I'll predict:

That the Gross National Product, which was $439 billion in 1958, will advance to $465 billion in 1959.

That corporate profits which were $31.7 billion in 1958 will reach $45 billion in 1959.

That the Production Index of the Federal Reserve Board which was 141 in 1958 will average 145 in 1959.

That spending by us consumers which reached a staggering $291.5 billion in 1958 will climb to $300 billion in 1959.

That expenditures for new plant and equipment which amounted to $30.5 billion in 1958 will jump nearly $10 billion to $40 billion in 1959.

That new housing starts which reached 1,099,000 in 1958 (I had predicted 1,100,000 a year ago) will reach 1,500,000 in 1959.

That expenditures for construction which were $48.8 billion last year will increase slightly to $50 billion this year.

So much for figures. They can be boring. But these are cheerful figures.

Pitfalls Ahead

There are some pitfalls ahead for us. Some we know will happen definitely. Some we hope to avoid.

Here are some to consider:

First, there may be a flight from the dollar by foreign investors because of the gradual strengthening of other currencies such as the British pound, the West German mark and the monies interchanged in the European Common Market, at the same time that the United States dollar is being ravaged by inflationary pressures.

Inflation as it affects us here and abroad will be, as I said before, our greatest problem.

The dollar is softening almost daily. It has less value in relation to other currencies around the world.

Another pitfall is the possibility of a series of strikes. Many are predicted, notably one in the steel industry.

A third possibility is a letdown in total spending next autumn if vacation spending, harvest yields and business expenditures fail to measure up to expectations.

These are vague fears, however, particularly at this time when things are looking so rosy.

Disturbing Factors

I'll tell you what disturbs me most about the months ahead. It's not so much inflation as it is *deception*. We're deceiving ourselves, about our economy and our economic potential, led along the primrose path of complacency by the pied pipers who write the learned economic theories that get bandied around with idiotic sophistication from Toots Shor's bar to the White House.

I keep hearing the theory that the bumper crop of babies and the swelling population will automatically insure prosperity. Now I'll admit that babies are consumers, that new marriage formations cause expenditures for homes and furnishings—but bulk of population in itself is no guarantee of prosperity.

In 1932 when more babies were born than in any other year in that decade, we reached the bottom of our great depression. More homes were destroyed by fire that year than were built. This, I submit, is not prosperity. Yet population was at a peak and so were births.

There is no guarantee that population and more population will keep everyone's pocketbooks full and everyone's bank balances bulging.

This prosperity will come through developments in managements or corporations and discoveries in the research labs. Only when managements devise ways to measure their own markets and plan their production accordingly will we have a guarantee of stability in our industrial economy—and without stability in the industrial side of the economy, there can be no assurance of continuing prosperity.

Don't get me wrong. We'll be prosperous in 1959, all right, I'm talking about the future.

Another way we deceive ourselves, and this is linked with our reliance on the marriage bed to produce our prosperity, is our bland acceptance that in America, the consumer is king. They say that if we continue to spend and spend, and buy and buy, we'll have the most prosperous period in mankind's history.

Well, so we will, but believe me —the consumer s no longer king. He's been dethroned.

It's true that if we spend and spend and buy and buy there will be prosperity—but most of it will cling to the producers of the goods and services you are urged to purchase.

Most of the *producers* plan to raise prices this year. They will be forced to do it because of rising costs of operations. The huge volume of sales they predict for themselves will not in most cases prevent upward price adjustments to some degree.

All right, so this is a time when people are buying goods and services like crazy. It is a seller's market. In a seller's market you expect prices to rise somewhat.

But last year, when sales were falling off, when every producer in the land was wringing his hands and moaning about the recession —did they reduce prices?

Doesn't this destroy forever the old economic theory about supply and demand regulating the prices of the land—that when there is recession prices will drop and when there is prosperity prices will rise?

No Break for the Consumer

Thus it follows logically that there are no conditions under which the consumer gets a real break. There is no longer any economic circumstance where thrift gets a reward beyond its own virtue. In the old days the prudent could hang onto their money and do their major buying —of homes and cars and appliances and yachts and such—when the market fell off, when prices turned lower on a recessionary cycle. Today, there's no such reward for saving money against such a day. If the public ever finds this out, there'll be a definite reaction in the savings and thrift accounts of the banks.

So the consumer has been dethroned.

Why?

Well, for the same reason that inflation cannot be, or will not be, stopped.

The Consumer Dethroned

So powerful has become the grip of organized labor on the producing facilities of America, so thin has become the margin between the producing costs and the selling prices, that inflation is unmanageable—and the consumer has lost his throne.

We deceive ourselves if we think otherwise. The records will show you that throughout most of the recession corporate profits remained high. Those laborers who remained employed (and five million unemployment out of a total labor force of 65 million isn't so bad, after all)—those who remained employed—received high wages, and some even struck for increases.

Thus, the insulations provided by benefits in wage contracts kept operating costs high, and prices high, throughout the economic dip.

You see what has happened. Our highly organized society has provided just profits for producers and their executives. It has also provided just incomes for the workers, from the most menial laborers to the most exalted officials. It forgets that all Americans—from the most menial to the most exalted—are consumers, and the organized society does not provide an even break for the consumer, the people whose constant purchasing makes the whole operation possible and whose proclivity for spending guarantees the continuance of prosperity.

Now, theoretically, no *stockholder* should object to this arrangement for it insures that the corporation will make money and that dividends will be paid. But stockholders, like almost everyone else, are consumers too.

There's a great cleavage in our economy, of course. If you earn more than $100,000 a year, you are primarily an earner and only secondarily a consumer. You don't have to worry so sharply about rising prices. But if you are spending most of your income on your family budget, then you're primarily a consumer and only secondarily an earner.

Since the recession's end corporate earnings have shot up at a startling rate. There's the threat in Congress to put across some kind of price policing. The records show that in the "poorest" year in a long time, the automobile industry raised prices. So did the steel industry. So did many steel-using industries. Now most Congressmen aren't smart enough to realize that prices had to rise because operating costs rose and operating costs rose because of benefits and concessions in the wage contracts, so the present Congress is going to have a considerable amount to say about prices. Sen. Kefauver, head of the Senate Anti-Trust and Monopoly Subcommittee, is being prodded by the Committee's Chief Economist, Dr. John M. Blair, a man of peculiarly liberal and doctrinaire economic philosophies, to lay all the blame for inflation on "administered prices"—that is, prices which are fixed by the producer and do not fluctuate from week to week or from trade to trade.

So we'll get more of this. More delusion and deception to add to the already confused economic thinking of the nation.

All I'm saying is this. Don't let them kid you about how you, as the consumer are the king, and that you hold the key in your hand. You are not king. You do not hold the key. Don't permit the fuzzy thinkers to talk you into being a puppet king.

Now, what does all this have to do with the economy for 1959? Well, it's an indication of the pressures that will be brought to bear on our prosperity this year —and next.

The one thing our recent recession taught us is that consumers, given the inducement, will continue to spend their money in good times and bad. They spent as much as they could all during the recession. This, more than anything else, hastened the recession's end, as it will hasten the end of any dips which occur in any future economic circumstances.

It is this, which is of paramount importance in analyzing the months ahead. Consumers are still of a mood to buy. The University of Michigan, outstanding in its Consumer Research Reports, says more families than ever believe their financial situation is improved and that it will continue to improve during 1959. As a result, they will be willing spenders, eager buyers of the goods and services.

It is this proclivity which keeps the wheels of American industry turning at full capacity.

Auto Revolution

The automobile industry is undergoing its own revolution — a revolution no less severe than the one which projected Henry Ford from the Model T to the Model A and thus saved a company. The auto industry has floundered around for four years now on the sports - car - versus - standard - car problem and seems to have solved its problems with a product which is a curious admixture that blends the European sports car with the conventional American automobile. You might call it a sportsmobile. Studebaker's Lark is an example. So is the Rambler. And so are the big ones. Take a look at the '59 Buicks, for instance. They're nothing like the Buick which, when I was a lad, ranked as General Motors No. 2 car.

Before the year is out, the 1960 models will be on display, and, say the Detroit experts, they may excite the American imagination (and the American pocketbook) as no other cars since the Model A.

So be it—that makes the prosperity even more vigorous.

It's this way throughout the American economy. New models are on the way. New temptations for the wallet-bound dollars. Why, for instance, should I replace my perfectly good five-year-old refrigerator if the 1959 models are just the same as my 1954 model? Well, this year they hope to make the new models so doggone attractive I'll be forced, either by my wife or my natural desire to keep my martinis better refrigerated, to junk the old and buy the new.

In our own town here, the biggest single industry is the garment industry which last year suffered one of its worst periods in recent history. It'll be better this year.

*A talk by Mr. Rogers before the Chemical Research Association, New York City, May 21, 1959.

The semi-male females and the semi-female males who design women's garments have been forced to the realization that most American men like their women to look like women and not like scrawny little b o y s, and that women like to dress to please their men. As a result we'll have some female-type fashions this year which will sell better—a lot better—than last year.

Our Economic Strength

The character of the "new economy" into which America is emerging—or into which we are evolving — can be demonstrated by the recovery from the slump last year. It showed the ability of the economy to stand up under duress. The built-in stabilizers worked well. The unemployed received their incomes from the special state or Federal funds. There was no panic. There was no forced liquidation, no forced unemployment. Those who remained employed continued to spend liberally.

This is the nature of America's prosperity of the future. Call it stability, perhaps. What it means is that there will usually be prosperity. When there is not, the downturn will be cushioned by the so-called social benefits built into the economy and most recessions of the future will be of short duration.

So, what's so bad about all this? On the surface it looks like a fairly pleasant prospect — everybody prosperous, unemployment low, employment high, recessions of the future limited to small dips in the chart lines.

The hitch is this: We are not considering the major hot war of our time. I mean the hot war between the two economic giants in our land—giant labor and giant capital. These two great monoliths, engaged in their titanic struggle for supremacy, pose the greatest danger to our economy in our time—greater by far than the threat of imperialistic communism.

We, with our fuzzy ideas and ideals have created these two warring goliaths. Labor on one side. Corporations on another. An unbridgable chasm between them. Nationwide labor unions with responsibility to no one have so distorted the philosophy of labor that few laboring men have any loyalty to a company or an industry; but loyalty only for their union.

To stand against the ever-increasing demands of these nationwide unions, corporations themselves must become nationwide giants, acquiring, merging, swelling, eliminating competition, until the corporate world towers on the other side of the economic noman's-land virtually as formidable as the sprawling unions.

You don't have to smoke a thinking man's filter to know that the industry-wide labor unions in America today have almost unlimited economic power.

What we sometimes don't perceive, however, is the fact that in some basic industries, a few corporations have almost equally unlimited power. These are not monopolies but oligopolies — where a few corporations control a whole industry. I submit the automobile industry for one; the steel industry for another. These are our two most important industries and their activities concern every dollar in every pocket.

There is this one difference. We employ in Washington a whole army of legal experts in the Antitrust Division of the Justice Department to evoke constant harassment against the corporations to prevent any one of them from getting too big a hunk of the market and to prevent any and all of them from getting together to set prices.

Now I ask you what difference it makes. What is the difference between unions getting together on an industrywide basis to bargain for wages, or all of the corporations getting together to set prices? There is only a difference in degree. For wages constitute 85% of the cost of most manufactured items. Prices constitute, of course, 100% of the cost to the consumer. Thus, we have a whole array of legal talent to police 15% of the cost of an item, while we ignore those who are responsible for 85% of that cost.

On the other side of no man's land, our corporate world, with its own peculiar brand of corporate gutlessness, is not doing much more to protect the free enterprise system than is the industry-wide labor union.

Under the extreme and extraordinary pressure by the unions, many corporations cannot remain competitive. Every time one collapses at the bottom of the industrial heap, it runs to Washington and makes out a case of necessity.

Widespread Subsidy

As a result we are subsidizing in one way or another nearly every manufacturing and producing industry in America.

And then we wonder why we are not able to compete in world markets.

In time, I submit, we will find our manufacturing processes as mired in government help as is our agricultural industry.

And *there goes free enterprise.*

I state these facts deliberately to scare you, for I feel it my mission to arouse the thinking businessmen of this nation. Our free enterprise system is slipping away from us faster than most of us realize.

We must prohibit by law industry-wide union bargaining. We must find, somewhere, a political party with guts enough to do it.

We must see to it that there are enough corporations in any one industry to keep free enterprise alive.

These two things — only these two things — will keep intact the capitalistic free enterprise system which has made this nation great.

This concerns us not alone as patriots but as husbands, fathers and individual humans, for it is this system which makes us free.

Carroll Co. Now in NYC

Carroll Co. is now conducting its investment business from 150 Broadway, New York City.

Pension Planning Co. To Hold Seminar In New York, June 25

The Pension Planning Company, 660 Madison Ave., New York City, will hold a one-day seminar on pension and profit-sharing plans on June 25. Among the subjects to be discussed will be pension, profit-sharing and group insurance plans; coordination with executive compensation programs; collective bargaining; taxes; coordination with personal estate plans; pension plans in foreign affiliates, etc.

Growth Areas of the Chemical Industry

By RICHARD F. MESSING*
Arthur D. Little, Inc.
Cambridge, Mass.

Industrial-economics research consultant analyzes chemical industry's growth outlook, particularly in areas showing greatest promise, in terms of: markets using chemicals, finished chemical products, basic building-bloc elements entering into chemical manufacture, wider use of proprietary specialties, and international developments. For the chemical industry *in toto*, he shows 1948-1957 growth rate to have been almost twice as large as all manufacturing. The writer envisages, for example, for next five years these growth changes: 67% increase in synthetic fibers, 250% in rocket fuels, 50% in agricultural chemicals, 250% in peroxy compounds, 150% in titanium, and twice as rapid growth in use of foreign chemicals than here—a major opportunity for those who can market abroad.

The general disillusionment among investors as to the outlook for the chemical industry during last year's economic recession, and the present rapid pace of recovery make it timely to examine the growth outlook for the industry, particularly those areas of greatest promise. Although the chemical industry is sensitive to many of the economic pressures shown by other cyclical industries, the long-term trend in growth is evident in the accompanying Chart. The FRB Index for chemical industry production, using as a basis the classification "Industrial Chemicals," shows an increase approximately twice that of all manufacturing activity. During the decade 1948 - 1957, chemical output increased at an annual rate of 7.4%, compared with an average of 3.8% for all manufacturing.

Richard F. Messing

One of the major forces behind this growth—accounting for perhaps half of the total increase in volume—is the development of new products via research and development. With many of the major companies in the chemical field now reporting up to one-third of present sales resulting from new product developments of the last ten years, it is apparent that the industry's dedication of $550 million per year to research is paying off. The contrast between the effort in 1940 and that of today is very striking; in terms of the number of man-years devoted to research and development, today's effort is about two and one-half times greater than that of 1940. When one allows for the normal lag in conversion of such effort to commercial products, it is apparent that we have yet to experience the significant contribution which might result from research activity.

The growth potential of the chemical industry can be characterized on three bases: growth in markets using chemicals, growth in finished chemical products, and growth in the basic elements which enter into chemical manufacture. In many cases, of course, these categories overlap, but it may be useful to distinguish between them to aid in thinking of companies having a basic raw materials position, knowledge of processes, methods of producing finished products, and market coverage which gives them a preferred position. Our choices for some of the most interesting areas included under these three classifications are shown in Table I.

Growth in Market Areas

Starting first with market areas which justify attention, packaging has proven to be one of the more dynamic areas of utilization of plastics and related materials. Much of the potential growth in packaging has already been achieved with the widespread use of self-service, not only in supermarkets, but also in dry-goods and hardware stores. There still remains opportunity for substantial growth in some of the newer fields, including wider use of polyethylene film in bread wrap and also in meat packaging at the source. Per unit of coverage, polyethylene is now cheaper than cellophane, and our projections indicate that polyethylene's volume may double within the next five-year period. Two other categories of interest in the packaging field involve the use of rigid containers fabricated from polystyrene for such products as cheese, ice cream, and disposable drinking cups, and also the development of postformed containers and trays which will serve as rigid bases for fruits, vegetables, and other supermarket products.

Synthetic fibers have already cut into a significant part of the total fiber market, which approximates six billion pounds. Ease of care, durability, and opportunities for novel construction are among the factors promoting wider adoption of the synthetics. With several newcomers in each of the major fibers, competition seems assured, but the area offers opportunity for participation in a market that is expected to grow by about 67% — to 750 million pounds — during the next five years.

Fuel for rockets, as a major new area for consumption of chemical materials, has been given wide attention among investment groups. It is estimated that the total annual expenditure for propellants is now about $100 million, although this includes some relatively prosaic materials such as jet fuel and liquid oxygen, in addition to some of the more exotic propellants, such as hydrazine, ammonium perchlorate, and the like. The general outlook is for continued growth in the use of both the liquid and solid types, each fulfilling a particular need in terms of availability for immediate use, high-energy thrust, and other requirements. Outer-space exploration and the ultimate requirement for commercial space vehicles for both human and cargo transportation, with a growth potential of perhaps 250% over the next five years, represent interesting vistas for propellant use. Opportunities for new resins and metals to fulfill requirements for temperature resistance and stress under the conditions of use are also of great significance to the chemical field.

Agricultural chemicals — particularly the specialties which are not subject to competition as intense as that among the standard products—have adequately demonstrated their status as a major area of profitability to the producers during the past year. With losses from insects, weeds, animal disease, and soil fungus conditions still totaling about $13 billion annually, and with an expected return of $10-$20 for every $1 spent on a control agent, the potential of the field is still obvious. Our estimates indicate that only about 20% of this market has been exploited thus far, although conservatism among potential users will probably limit growth to about 50% over the next five years.

Growth in the electronics industry has been reflected in the number of requirements for specialized chemical industry materials. Such products as printed circuits, magnetic cores, piezo-electric crystals, and phosphors have all provided new opportunities for specialty chemical and plastics manufacture. The volume of such products at the manufacturers' level is now estimated at $30 million, with the expectation of sizable growth during the next five-year period.

Growth in Chemical Products

The demands for new chemical products will not necessarily parallel the growth fields mentioned above, although it is obvious that many of the products (e.g., polymer materials, including the plastics, rubbers, and fibers) will fill the requirements resulting from the expected market growth. The polymer industry, which has experienced about a threefold growth over the last ten years, now represents an annual market of about $1.5 billion at the manufacturers' level. The plastics field itself can be subdivided into a number of elements, some of which have more interesting potential than others. Included in the latter category are the polyolefins, which now represent the largest class of plastics materials. The consumer has become acquainted with the properties of polyolefins through such products as squeeze bottles, packaging film, housewares, insulation for wire, and extruded pipe. The polyolefin field has been subject to rapid change, with innovations of high- and low-density products, polypropylene, and other polyolefins in addition to polyethylene, and many other modifications based upon molecular weight, processability, polymer content, and the like. Recent growth history, as shown in Table II, indicates that an annual increment of increase of 150 million pounds has been realized over the last several years; this does not seem unreasonable as a projection of future growth in the industry. There are now 15 companies in the field, all of whom are doing intensive work on new developments and innovations.

Epoxies are a product group whose rate of growth has been somewhat disappointing during the last few years, and there is now substantial over-capacity built in anticipation of wider adoption of the resins in major uses such as adhesives, coatings, and reinforcing resins. The outstanding physical characteristics of chemical resistance and toughness indicate that substantial specialty markets will be developed, however, and we anticipate that there will be a rapid growth in sales during the next few years, as characterized in Table II.

The urethane resins are now reaching significant commercial status in the form of the flexible products competing with foam rubber and also in rigid materials used as structural reinforcements. Development in this field has been accelerated through introduction of new formulations based on incorporation of polyethers, which tend to yield products having many of the same characteristics as foam rubber, but at a price that is lower per unit of cushioning capability. This field could easily yield growth of 4-5 times within the next five years if the present rapid pace of product development continues. Adoption of rigid urethanes in cold-wall appliances, where they could serve both as a structural member and an insulating medium, offers a further significant opportunity.

Probably the most dramatic growth in the plastics field will come in the category known as high-performance plastics, where the concept of use will depend more on premium properties than on substituting a low-cost inferior material. The industry is now on the threshold of commercial realization from new developments which will allow sale of relatively low-cost polymer materials that will be tougher, more easily fabricated, more chemically resistant, and generally more serviceable than materials such as glass, wood, and die-cast metals, which they will replace. Examples of this are found in Du Pont's "Delrin," "G.E.'s Lexan," and Hercules Powder's "Penton."

The peroxy chemicals—a class whose use will be heavily influenced by development in the rocket and missile fields—are also finding growing commercial applications. In a rocket-fuel mixture, the peroxy compound furnishes the oxidizer which unites with the fuel to create thrust energy. In a typical solid-propellant mixture, peroxy compounds may represent as much as 75-80% of the total charge; thus, their significance is paramount in a consideration of propellant consumption. A 250% growth in the next five years can be envisioned for this class of material.

As the name implies, organometallics are compounds formed by the joining of an organic material with an inorganic or metal compound. Such combinations have been the basis for the creation of major industry segments, such as tetraethyl lead and silicones. The high reactivity of these materials is now being exploited to advantage in other areas, including special catalysts used for the manufacture of oriented polymers of the low-pressure polyethylene and polyisoprene type. The development of the boron fuels industry has also been dependent upon organometallic technology, since these products are alkyl boranes derived ultimately from ethylene and borax. The creation of new inorganic plastics and coatings with good temperature resistance offers one of the most interesting areas for research in the chemical industry.

The atomic, electronic, and missiles fields have placed unusual demands on the metals industry, with the result that intensive effort is under way to develop new metals, alloys, and metal-ceramic combinations to meet the rigid service requirements. Broadly, the characteristics of extremely high purity (in order to provide the corrosion resistance) and high-temperature resistance are all-important. In the atomic field, zirconium (which has good corrosion resistance, low density, and good atomic properties) and beryllium (which offers high

*An address by Mr. Messing before the New York Society of Security Analysts, New York City.

TABLE I

Selected Chemical Growth Areas

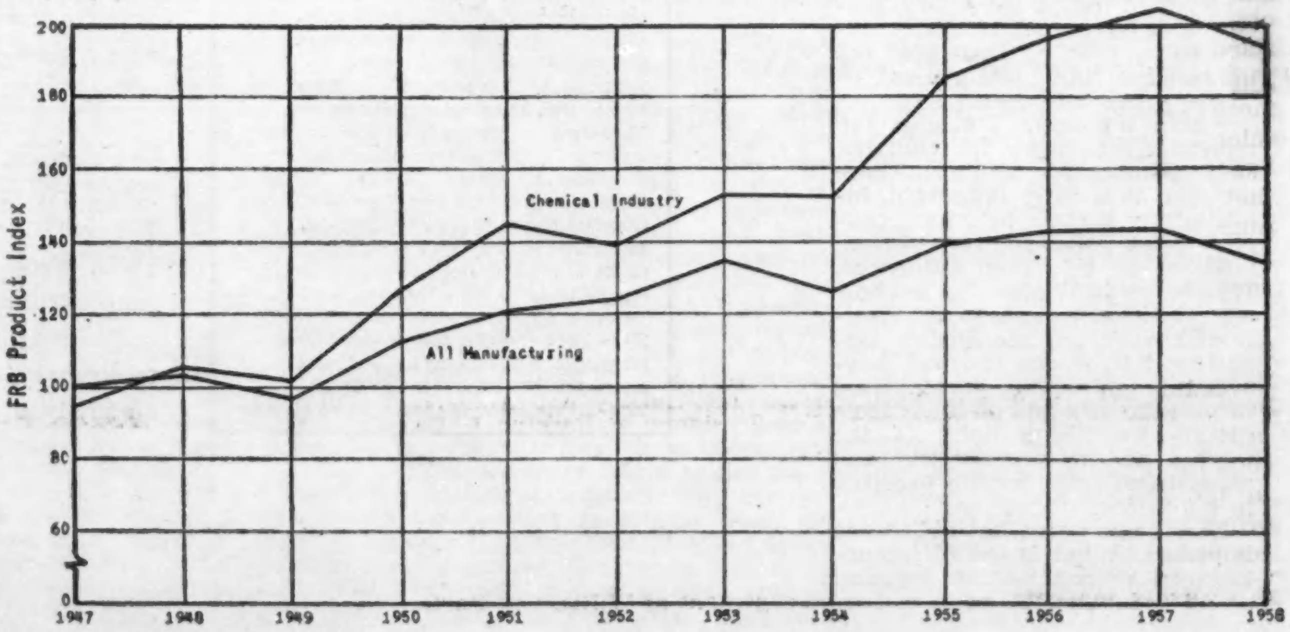
Building Blocks	Products	Markets
Flourine	Polymers	Packaging
Bromine	Peroxy Compounds	Fibers
Boron	Organometallics	Rocket Fuels
Acetylene	Pure Metals and Metal Chlorides	Agricultural Chemicals
Petrochemicals		Electronics

TABLE II

Production of Plastics Materials

(millions of pounds)

Year	Epoxies	Urethanes	High Performance	Polyolefin	Total
1953	10	0	5	135	2900
1954	19	1	7	210	2900
1955	22	2	10	402	3800
1956	36	7	15	566	4100
1957	40	12	20	708	4500
1958	43	20	25	865	4700
1963 Estimate	100	110	150	1500	6600



strength and low conductivity despite its relatively high cost) seem to have the most interesting potentials. In the electronics industry silicon and germanium are becoming well established for use in diodes, and the industry has already seen the creation of $25 million worth of new high-purity silicon plants to supply this need. In refractory metals, there are several candidates, including molybdenum, which now suffers from the serious drawback of formation of a volatile oxide, although research on coatings is promising; chromium, which offers opportunity for a modest improvement over the best available alloys, but has the disadvantage of brittleness; columbium, which has relatively poor oxidation resistance, but is favored by the development of new processes that might yield an improved product; tantalum, a high-density material for which the ore supply is poor; and tungsten, which is dependent upon foreign ores, is very dense, but has the best temperature-resistant characteristics. In many of these cases, the metal chloride forms the most attractive route to production of the pure metal; this, in turn, has led to development of new metal chloride processes, particularly for zirconium, boron, silicon, columbium, tantalum, and titanium. The latter product, incidentally, is also expected to come closer to realizing its often-forecasted potential, with growth from about 10,000 to 25,000 tons expected over the next five years.

Growth in Building Blocks

The basic building blocks listed in Table I include those elements having the characteristics of either stability or reactivity, both of which suggest wider use. In most cases, they are still relatively unexplored frontiers, and considerable long-range research will be required to convert these characteristics into commercial potential. The delays experienced in such fields as agricultural chemicals, metallic titanium, and epoxy resins are suggestive of the slippage which can occur between the concept of use of a new material and the flow of profits resulting from its sales.

Other Trends

Other trends indicating particular growth potential for companies in the chemical industry include the following:

(1) Wider use of proprietary specialties, that is, products identified by their function rather than by their chemical composition (e.g., corrosion inhibitors, antistrip agents for asphalt, textile softeners, emulsion breakers, mold-release agents, and bactericides). In such cases, the marketing know-how and technical service coverage of the company can place it in a less competitive position than companies that have little or no technical or merchandising support in their operation.

(2) Integration, both forward and backward, which places an organization in a position to withstand temporary pricing pressures. This trend will undoubtedly mean more investment per dollar of sales, but will avoid the squeezes experienced by companies in fields that depend upon the purchase of important ingredients, and sales at prices which do not permit adequate profitability.

(3) International developments, particularly to exploit unique technology or marketing know-how in foreign areas. The growth in foreign chemicals use in foreign countries may be about twice that in the United States, and thus offers a major opportunity to U. S. companies equipped to participate in overseas markets.

Calif. IBA Group Annual Conference

SAN FRANCISCO, Calif.—The Eighth Annual Conference of the California Group, Investment Bankers Association of America, will be held at the Santa Barbara Biltmore, Santa Barbara, June 27-30, according to Alger J. Jacobs, Chairman and Vice-President, Crocker-Anglo Nat'l Bank, San Francisco.

Alger J. Jacobs

Mr. Jacobs said that a well-rounded program is planned featuring prominent national speakers. Committee Chairmen include Wendell W. Witter, Dean Witter & Co., Education Committee; Ernest E. Blum, Brush, Slocumb & Co., Inc., Entertainment Committee; Stanley R. Dickover, Elworthy & Co., Legislation Committee; R. Russell Postlethwaite, Irving Lundborg & Co., Membership Committee; Franklin Stockbridge, Security First National Bank, Municipal Securities Committee.

The California Group has a membership of 103 investment banking and brokerage firms with a total of 351 offices in the state.

Los Angeles Bond Club To Hold Field Day

LOS ANGELES, Calif. — Mark Davids, Lester, Ryons & Co., President of the Bond Club of Los Angeles, has announced that the Annual Field Day will be held Friday, June 12, at the Oakmont Country Club. The Club is an organization whose members are engaged in the investment securities business. It now has a membership of 300 and the membership is close.

Former Sheriff, Gene Biscailuz, will be honored guest and will act as "Sheriff of the Day." The Field Day activities call for golf tournament, putting contest, tennis, horseshoes and darts. In addition to these Field Day activities, there will be a swim and diving show by many well-known stars.

President Davids has appointed the following members to assist him for the various events: Bruce Wilcox, National Securities & Research Corp.; Peter Eichler, Bateman, Eichler & Co.; Francis Wheat; John Carter III, Vance, Sanders & Co.; Robert Cathcart, J. A. Hogle & Co.; Paul Wagenseller; Francis McComb, Blyth & Co., Inc.; Paul Pflueger; Frederick Denison, Calvin Bullock, Ltd.; Bud Jones; Charles Sill, Jr., William Street Sales; T. Brook Townsend III, Wagenseller & Durst, Inc.; Vernon Smith, Dean Witter & Co.; Bob Wilson, Hill Richards & Co.; Donald Wright, Paine, Webber, Jackson & Curtis, and Ed Adams.

Appointed Manager

CHARLOTTE, N. C.—Philip D. Small has been appointed resident manager of Reynolds & Co., 221 South Church Street, succeeding the late Wylie H. Arnold.

Odee L. Landry Forms Own Firm in Boston

BOSTON, Mass.—Odee L. Landry is conducting a securities business from offices at 31 Milk St. under the firm name of Landry & Co. Mr. Landry was formerly Vice-President of Perkins & Co. Inc.

Sincere Opens Branch

LAKELAND, Fla.—Sincere & Co. has opened a branch office at 122 West Main St., under the management of William G. Barth.

What's Ahead for Canned, Frozen and Synthetic Foods

By ROGER W. BABSON

The outlook for frozen, synthetic and canned foods is evaluated by Mr. Babson who advises, of all products to watch, keeping an eye on the purely synthetic food. The investment writer predicts canners may extend their operations vertically to taking over the growing of products they can in order to be assured of supplies and to better compete with synthetics.

Less than 30 years ago practically all of the citrus fruit shipped out of Florida was "whole fruit." The necessity of discovering some way to cut heavy marketing and transportation costs led to the formation of citrus cooperatives. Growers pooled their resources. With the aid of chemists and representatives of the canning industry, plus helpful state and Federal legislation they developed methods of canning appetizing orange, lemon, grapefruit, prune, grape, and other juices. Somewhat later, research has succeeded in providing us with the splendid frozen juice concentrates.

Roger W. Babson

What the citrus producers have accomplished by working together with the help of chemists and industrialists should encourage other fruit and vegetable growers. Although canned and frozen fruits and vegetables have made great strides in winning public acceptance, certain sectors of the overall food industry are poorly organized. Except for a few large operators, canning of fruit, vegetable, and fish is being carried on in haphazard fashion. Quality needs to be made more uniform, while processing and marketing operations could profitably be streamlined.

What's Ahead for Canners?

Despite sharp increases in consumption of frozen foods, the canned-food industry appears to be maintaining its relatively strong position. Aided by population increases and higher personal income, canners have made good postwar gains. During the next 10 years, I predict canners will have to devote more time and thought to their raw material sources. Tighter control of plantings will be a "must." In some cases, it will be advantageous for canners to purchase outright the fruit groves or vegetable acreage needed to assure them of adequate supplies and to enable them to compete with truly synthetic products.

Canners' cost have been trending upward for some years now. They will rise at an even faster rate during the next 10 years. Both skilled and unskilled labor on farms and in the groves and canning plants will command higher wages. More money will be needed for containers and for canning and freezing machinery replacement, although I do not now forsee any early switchover to aluminum cans. However, food processors are becoming more interested in synthetic foods and drinks, such as "Tang" put out by General Foods

Frozen Foods Outlook

Vegetables are in Number One place as far as frozen foods volume is concerned. Other leading income producers are poultry, fruit juices, "prepared" foods, seafoods, eggs, and meats. Frozen poultry and "prepared" frozen foods have made impressive recent volume gains. The "prepared" foods of the frozen variety are those which have already been given certain preparatory operations usually performed by the housewife. They give her more leisure time and thus will become even more popular as flavor and appearance are improved upon.

Frozen food producers are more alert to the need for research than are canners. All products will win even wider acceptance as the results of research are translated into more flavorful and appetizing products. Also, frozen foods volume should make good gains as a result of the greater availability of mechanically refrigerated railroad cars and trucks, retail display cabinet space, and backroom refrigerated storage space.

"Contract" Farming Will Increase

Farming is in the midst of a great change. Gradually, agriculture is being remade into a more vital part of our industrial economy. Fruit and vegetable production, canning, freezing, as well as marketing, are becoming "big business" on a huge assembly-line basis under an advanced-contract basis. But, of all the products to watch, keep an eye on the purely synthetic foods for they may take the lead.

Detroit Bond Club to Hold Summer Outing

DETROIT, Mich. — The Bond Club of Detroit will hold its Annual Summer Outing on Friday, June 26, 1959, at the Essex Country Club, Essex, Ontario, Canada.

The day will feature golfing, dinner and prizes. The guest fee is $20.00. Those interested in attending should contact Richard C. Spaulding, 1325 Penobscot Building, Detroit 26, Michigan.

Inv. Securities Corp.

SUMMIT, N. J.—Investment Securities Corp. has been formed with offices at 382 Springfield Avenue to engage in a securities business. Officers are Carl T. Graves, President; Leonard R. Ervin, Vice-President; and Herbert O. Franke, Secretary.

London Stock Exchange Balanced on a Razor's Edge

By PAUL EINZIG

Perplexed that there is no London Stock Exchange boom, Dr. Einzig outlines the bullish-price factors and opines that firms fearing "take-over bid activities" plan to increase their dividends and re-value their assets. He attributes the London stock market's razor-edged precarious balance to the feeling of uncertainty said to hover over Wall Street and the international political outlook.

LONDON, Eng.—If we view the British economic situation in isolation from international influences it appears to be perplexing why there is no boom on the London Stock Exchange. Almost everything seems to be in favor of a distinct upward movement. The cyclical factor is favorable for it. Unemployment is declining sharply, it is now under the half million mark and is expected to be under 2% when the next monthly figures are published. There is a distinct increase in the demand for both consumer goods and capital goods. Most profits are increasing, and so are a great many dividends. Even after the rise in equities during recent months, yields are still some 1½ to 2% above the yields on corresponding classes of America equities. After the recent deflation scare which diverted investment from equities into Government loans, the trend of investment once more favors equities.

Paul Einzig

There are also institutional changes in favor of a rise. Progress is made towards the popularization of equities among small investors. This tends to cause a gradual increase of demand from quarters which have hitherto barely touched equities.

Over and above all, it seems certain that in a matter of months inflation will once more rear its ugly head. A resumption of the process where it was checked two years ago is expected not much later than in the autumn.

There has been a revival of take-over bids during recent months, and this adds yet another influence favoring a rise. Even though these bids only affect directly the equities of a few firms, they indirectly influence the attitude of boards of directors in a large number of firms. The main reason why take-over bids stands a chance of succeeding is because dividends are too low in relation to earnings and because the assets of most firms are not valued adequately in balance sheets.

The fright given by recent take-over bid activities is likely to induce many boards of directors to play for safety by remedying this situation by increasing their dividends and by re-valuing their assets. Of course many conservative boards are naturally reluctant to go too far, since they are anxious to plough back into their firm a large proportion of the earnings, and they are equally anxious to retain in hand a reserve by undervaluing their assets so as to be able to revalue them when it is expedient to offset a decline in profits. But they do realize that if, as a result of their conservative policies, adventurous financiers assumed control, the reserves would be plundered for financing further take-over operations. Many of them are inclined to feel that in such situation conservatism is not in the best interest of the firm. We are likely to witness therefore a number of dividend increases, and also re-valuations of assets that would give the public better idea of the true value of the equity capital.

Stock Prices on a Razor's Edge

Yet in face of the prospects of increased demand, both cyclical and institutional, equities display a hesitant trend on the London Stock Exchange. Indeed it may be said that during recent months their trend has been balanced on a razor's edge. Any piece of news, or anticipation of news, affecting individual firms or the market as a whole has been sufficient to tip the balance one way or other, to an extent rather in excess of the intrinsic significance of the news. But some news pointing in the opposite direction usually intervenes and reverses the tendency.

The undertone is distinctly optimistic, but investors and speculators have not the courage of their conviction. They are afraid that international influences might more than offset the favorable influence of domestic factors. First and foremost amongst them is Wall Street. There is a feeling over here that prices over there are distinctly too high and that a substantial downward adjustment is overdue. And when that happens it will provide a signal for profit-taking also in London. Although genuine investors who are only interested in yields are safe in sticking to their holdings, a good many would like to get out and get in again at a lower level. This factor is believed to be incomparably more important than professional speculation proper.

No Need to Follow Wall Street

There is no basic reason why the London Stock Exchange should follow slavishly the ups and downs of Wall Street. Nevertheless, the closing prices in Wall Street almost invariably affect next day's opening prices in London and continue to influence the trend during the day. It is true, to some extent the increased interest taken by American operators in a small number of leading British equities justifies sympathetic movements in London. After a decline in Wall Street American demand is usually diverted from London equities to the corresponding class of American equities. Unreasonable as this attitude may be—having regard to the difference in yields and the apparent difference in prospects—it is undoubtedly there, and it tends to affect the prices of American favorites among British equities. Since they are important equities, their tendency is liable to set the tone of the rest of the markets.

This feeling that anything might happen at any moment in Wall Street is one of the reasons why in spite of the optimistic undertone the London Stock Exchange is so precariously balanced. Another influence working in the same direction is the uncertain international political outlook. A breakdown of the Geneva talks is liable to be followed by a war scare. Most people consider this unlikely, but feel that one never can tell, and prefer to be on the safe side.

Investors Are Optimists

The London Stock Exchange eagerly seizes upon any good news, or even rumor of good news, affecting individual firms. Dividend increases, bonus payments, higher profits, etc., are liable these days to affect the prices of the equities concerned in excess of the extent justified by the favorable news. This is because investors and speculators like to believe that a boom is just around the corner, and even if they do not dare to back their convictions in a general way, they go for equities of firms whose progress seems to justify abandoning their caution.

Hayden, Stone Offers Stock of Electronics Capital Corporation

Hayden, Stone & Co. heads a group of investment firms which on June 8 offered 1,800,000 shares of Electronics Capital Corp. common stock, priced at $10 per share. The offering marks the first nationwide distribution of shares of an investment company licensed under the Small Business Investment Act of 1958.

The corporation will operate as a closed-end, nondiversified management investment company and will provide investment capital and management services to small businesses.

The principal objectives of the corporation are to provide capital to selected small electronics companies with growth potential, primarily through purchase of convertible debentures and to obtain certain tax benefits for shareholders based upon provisions recently adopted by Congress to encourage investment of venture capital in small businesses.

Under these new tax provisions, a shareholder may offset losses on the sale of his stock against ordinary income rather than against capital gains. Small business investment companies are also allowed to take an ordinary-loss deduction, rather than a capital-loss deduction, on losses sustained on convertible debentures, including stock received through conversion privileges.

Upon completion of the offering there will be outstanding 1,833,889 shares of common stock of $1 par value.

The management of Electronics Capital Corp. has been closely identified with electronics. Charles E. Salik, President, is President and Chairman of Electronics Investment Corp., a diversified mutual fund with assets of over $27,000,000. Richard T. Silberman, Executive Vice-President, is a Vice-President and director of Cohu Electronics and a director of Electronics Investment Corp. Neil H. Jacoby, a director, is Dean of the Graduate School of Business Administration, University of California at Los Angeles, and is also a director of Electronics Investment Corp. other directors include Dr. Joseph M. Pettit, Dean of the School of Engineering and Professor of Electrical Engineering, Stanford University; Donald C. Duncan, of Beckman Industries, Inc. and L. J. Rice, Jr., Vice-President of the First National Trust and Savings Bank of San Diego.

Nolting, Nichol, O'Donnell

PENSACOLA, Fla. — Nolting, Nichol & O'Donnell, Inc. has been formed with offices at 416 Brent Annex to act as dealers in securities. Officers are Carl W. Nolting, President; Charles R. O'Donnell, Executive Vice-President, and Bromfield B. Nichol and William B. Troendle, Vice-Presidents. All were formerly associated with Nolting, Nichol & Company.

Tomorrow's Enormous Oil Needs and the Middle East

By WILLIAM R. STOTT*

Director, Standard Oil Company (New Jersey)
New York City

The oil industry's future needs are enormous and no one source of oil in the long run is indispensable. In pointing this out, Mr. Scott is confident that widespread search for oil will achieve, for the efforts expended, the same results as in the past. In addition, he believes, stability in Middle East oil supplies can be expected as that area matures under the seasoning of experience. Noting that economic and political freedom are indivisible, he decries resort to Government when economic difficulties arise and hopes European integration will not lead to departure from free market economy.

There is a close relationship between energy, economic growth, and the principles of a free economy. Furthermore, these relationships cannot be confined within national boundaries—they operate internationally.

Economic growth presumes an increasing production of goods and services. And since the cost of energy required to produce goods is an important element in their total cost, it follows that a nation is better off when it has ample supplies of low-cost energy.

The creation of mass markets—which is another way of saying higher levels of consumption—requires the production of an abundance of goods which masses of people can afford to buy. As long as producers are free to compete for markets and no artificial restrictions are placed in the way, they have every incentive to increase efficiency and to lower costs in order to get their share of the business. This is not only advantageous to domestic consumers, but is necessary to compete in foreign markets.

These, of course, are simple and obvious economic truths, and are fundamental characteristics of a free market economy. Unfortunately, we all know that a free market economy is too often honored in principle but not in practice for a good **many** reasons—and not often for many **good** reasons!

Since ample energy supplies are essential to economic growth, West Germany is fortunate—more fortunate than most industrialized countries — in having substantial indigenous resources of coal and oil. Their full and efficient utilization will be required to meet Germany's future energy needs.

At the same time West Germany, like most countries, needs and will continue to need increasing amounts of oil from other sources. It is the task of the oil industry operating internationally to keep this oil flowing.

Enormous Future Oil Needs

The determination and ability of the industry to meet short-term interruptions of supply at the source were demonstrated during the Suez crisis. For the longer term, the search for and development of oil reserves goes on in many parts of the world. The estimated future requirements for petroleum are so enormous that the present condition of world oversupply in relation to demand does not significantly diminish the vigor with which private enterprise, as represented by dozens of companies, presses its search. One may confidently expect that this widespread effort in Africa, the Far East, in the Western Hemisphere, and in Europe will bear fruit, as it has in the past.

The stability of oil supplies should also be enhanced by a growing awareness in the Middle East of the interdependence of producing and consuming countries and of the economic realities of the oil industry. One does not underestimate the political uncertainties in this area. Yet one can believe that new nations will mature under the seasoning of experience. This process will be speeded by a more widespread understanding in the West of the legitimate aspirations and problems of these countries. It is certainly true of the oil companies that they are earnestly seeking additional ways to cooperate in furthering economic development, not only in the Middle East, but in other oil-producing countries. Hopefully, these attitudes, this willingness to devise new patterns suited to present times, will be matched by equally realistic policies on the part of governments.

Survival Comes First

On this matter of oil supplies, it is worth noting that no one source of oil in the long run is indispensable. There is too much oil for that—in too many places—and too great a need for it. I suppose it must also be said that, while we trust the necessity will never arise, the Free World will undoubtedly insist there is one alternative it cannot accept, and that is an alternative to its own survival.

When we speak of such alternatives, it seems to me that free nations must not only guard against dangers from without, but against danger of their own making.

In every country of the world, decisions are demanded today between two opposing schools of thought as to the best way of organizing economic effort — between principles of statism on the one hand, and of a free market economy on the other.

Often this issue is by no means black-and-white, for there will always be need for government action in certain areas where only a government can act as umpire, balance wheel, or policeman. Again, in times of economic disruption—as for example during the period of postwar reconstruction in Europe — it may become necessary for governments to take various emergency measures in the economic field. In the free countries of the world, and particularly in the most advanced countries, the growing complexities of economic life will continue to create areas in which governments and private enterprise will overlap.

But the danger is, that through lack of understanding of the dynamics of a free market economy, of its requirements, of its unequalled efficiency, and of its inseparable connection with political, intellectual, artistic and religious liberty, we may permit the principles of free market economics to be weakened and gradually destroyed.

Decries Government Aid

When economic problems become difficult, there is often a tendency to turn to governments for their solution. Political pressures are exerted by groups who, quite understandably, see their

*From a talk by Mr. Stott on the occasion of the dedication of Cologne Refinery of Esso A. G., Cologne, Germany.

own short-term interest, but who overlook the long-term interest of the country as a whole. This is true not only as within countries, but as between countries; and I would be less than honest if I did not say that my own country is no exception.

In these circumstances, there arise such artificial restraints on industry and trade as quotas, arbitrary exchange rates, price controls, discriminatory taxation, and high tariff barriers.

These are all, essentially, devices of scarcity. They contradict the realities of today's civilization in which the availability of abundant energy brings within sight, for the first time in man's long story of privation and toil, the possibility of an unprecedented flow of goods and services.

When artificial barriers are erected to the movement of energy, goods, capital and technology, tensions develop, stability and peace are disturbed, and conditions are created which can be exploited by the enemies of the Free World.

European Integration

On the other side of the Atlantic, we watch with sympathy and interest such developments in Europe as the Common Market and recent moves to make currencies more freely convertible. We are aware of the difficulties which attend progress toward economic integration and the extension of liberal trade principles beyond the present area of the Economic Community. We can only hope that, in the process of these developments, the difficulties will not lead to any departure from the fundamentals of a free market economy, conceived in terms of the public welfare and of international responsibility. For it is only in terms of a better life for people the world over that the potentials of modern technology become meaningful.

Movements toward rational economic organization on the scale so essential in today's world contain a tendency to go from voluntary association, to coordination, to central control. Thus, if a balance is not maintained between a responsible independence in the economic sector and highmindedness in the sector of government authority, the dynamics of economic progress can be destroyed.

As I observed earlier, economic freedom and political freedom are indivisible. Yet, paradoxically, both die when economic and political power are vested in state institutions. Liberty flourishes best when economic power is widely distributed and is separate from the state power.

When consumers have a free choice, their decisions determine the direction and growth of the economy. When producers are free to compete for customer approval, the most efficient and useful elements in the economy are encouraged. When there are numerous points of initiative and decision, a strong foundation is laid for true democracy.

New Reynolds Branch

BURLINGTON, N. C.—Reynolds & Co., members of the New York Stock Exchange, has announced the opening of a sales headquarters in the Wachovia Bank Building. The new office is supervised by Claude V. Long, who retired recently from his position as Vice-President of the Burlington branch of the Wachovia Bank and Trust Company.

Otto Klemke Opens

LUSK, Wyo.—Otto H. Klemke is conducting an investment business from offices here.

Lubart Co. Opens

JERSEY CITY, N. J.—Lubart & Co. is engaging in a securities business from offices in the Journal Square Building. Arnold H. Lubart is a principal.

Business Continues to Boom, Purchasing Agents Report

Disappearing fear of a third quarter slump and rosy predictions regarding the fourth quarter support purchasing agents' findings that "all of our criteria point to near-boom conditions."

The June report of the National Association of Purchasing Agents Business Survey Committee states that, "as the time draws near for the decision as to whether there will be a steel strike or not, business continues to boom. Fear concerning a third quarter slump is disappearing. Earlier this year, many of our members thought that some of the current good business might only be borrowing from the coming third and fourth quarters. However, in response to our special question, 42% now believe the third quarter this year will be better than the second, and 29% think it will be worse. An overwhelming 85% predict that this third quarter will be better than the similar period in 1958 and only 3% see it as poorer.

"Predictions for the fourth quarter are even more rosy. In looking at the last half of 1959, 58% see better business than in the first half of 1959, while 17% look for a downturn. Again, the great majority—85%—believe the second half of 1959 will be better than the second half of 1958; and, again only 3% are pessimistic enough to think it will be worse.

"There is no doubt that business, as of now, is good. All of our criteria point to near-boom conditions. Production soared to a new post-Korean War high, with 60% reporting improvement, and only 5% reductions. New orders continue to be booked in substantial volume, with 53% receiving more new orders than last month, and only 7% less.

"Employment too, shows substantial gains, with more of our members telling of additions to their companies' payrolls than at any time since 1951.

"Commodity prices are firming, with pressures for higher prices getting more difficult to contain.

"Booming business has so favorably affected production schedules that it is becoming more difficult to maintain proper raw material inventories and still display reasonable prudence in forward commitments. But, buyers are continuing to hold the line on forward commitments stating that, aside from steel items, they will not make any speculative purchases beyond those called for by orders on the books. This, plus keen competition, has gone a long way toward keeping some reasonable control in our fight against runaway inflation.

"The threat of a steel strike does seem to be the major dark cloud on the horizon. Many of our members point out that their optimistic predictions would stand revision if we were to have a long interruption in steel production.

Commodity Prices

"Industrial commodity prices have been relatively stable for the past several months due to keen competition for available business and ample supplies of most commodities. Now, however, prices are firming and Purchasing Executives are finding it harder to resist price increases. This month, 30% report prices higher, 68% the same, and only 2% report prices as lower.

Inventories

"The trend toward increased inventories continues, though largely sparked by the steel situation. However, this month increased production and more instances of "late deliveries" have resulted in a fewer number, 39%, reporting their inventories up in May compared with April. There are 11% who report their inventories lower, with the balance — 50% — maintaining last month's levels. With the exception of steel, buyers' comments are to the effect that they are holding inventories in line with their production requirements. It is also interesting to note that while many are increasing stocks because of concern about shortages resulting from strikes, only a few are stockpiling solely because they fear higher prices.

Employment

"Again in May, we report another jump in employment figures. The number reporting employment as up this month (41%) exceeds by two percentage points the highest percent figure report in the boom period of 1955. Not since the Korean War build-up have so many reported improvement in their employment situation. Only 7% say their May employment figures are worse. The consensus is fairly general that renewed business confidence, backed by firm production schedules, has resulted in this willingness to add people to payrolls.

Buying Policy

"The lengthening of lead time appears very gradual indeed. It reflects the conservatism on the part of buyers brought about by last year's recession, which caught many of them with high inventories. Few are willing to commit beyond their requirements for known production schedules.

	Per Cent Reporting				
	Hand to Mouth	30 Days	60 Days	90 Days	6 Mos. to 1 Yr.
May:					
Production Materials	3	26	35	25	11
MRO Supplies	25	49	19	5	2
Capital Expenditures	11	7	10	23	49
April:					
Production Materials	7	25	34	26	8
MRO Supplies	21	49	18	11	1
Capital Expenditures	9	9	9	24	49

Specific Commodity Changes

"There are more increases than decreases this month, as might be expected with the generally enthusiastic business upturn being reported. Steel items continue to be the only ones where shortages are being reported by many.

"On the **up** side are: Copper, lead, valves, paper and cartons, sugar, lumber, plywoods, rubber, electrical equipment and motors, acetylene, oxygen, leather belting and tungsten.

"On the **down** side are: Steel scrap, fuel oil and phenol.

"In **short supply** are: Steel (galvanized, plates, sheets, mill coils, specialty items), maleic anhydride and phthetic anhydride."

Current Business Outlook

By G. P. HITCHINGS*

Manager, Economic Analysis Department
Ford Motor Company, Dearborn, Mich.

Automotive economist believes the current economic expansion is soundly based and notes new-car buying rate has been fulfilling expectations of 6-million year. Mr. Hitchings finds encouraging the rise in plant-equipment expenditures but is doleful about the tendency of wages to exceed productivity. Unless costs level off, he contends, then we face persistent inflation or retarded growth.

Continued expansion in the total economy is likely for the rest of this year, although a temporary leveling off may occur in the third quarter.


Geo. P. Hitchings

Activity in the steel industry is currently abnormally high as consumers attempt to protect against a possible strike. Steel production will drop in the third quarter close to current consumption rates even if a strike does not occur. The related drop in payrolls and profits dependent on steel production will also act as a drag on the total economy.

Aside from the inventory building of steel, however, the current economic expansion is soundly based. The economy is not now being pulled upward dramatically by any other single factor. There is a broad increase in many segments of the economy.

Most encouraging is the rising trend in business expenditures for new plant and equipment from the sharply reduced levels reached in mid-1958. The earlier dramatic upsurges—such as residential construction, Federal Government spending, change in business inventories, and consumer buying of cars—have either leveled off or are rising more slowly.

New-Car Buying

New-car buying in the first quarter has been in line with our budget for a 6-million year, including imports. Without adjustment for seasonal variation, the actual volume was at about a 5¾ million rate. Precise seasonal factors cannot yet be computed, but limited evidence in recent years indicates that the first quarter is an average quarter for the year.

A moderately rising trend in new-car sales during 1959 was built into the 6-million assumption. Current prospects for the general economy do not call for a revision of this total.

A 6-million sales year would represent a return to the 1956-57 retail market, which we consider to have been about normal. Some make-up for the nearly 25% below-normal year in 1958 is likely beyond 1959.

Recovery in general business has also boosted the new-truck market back to 1956-57 levels. Retail volume in the U. S. for the first half of 1959 is likely to equal the same period in 1956. The full-year total will undoubtedly exceed the 900,000 trucks sold in 1956. A modest decline occurred in 1957 and a sharp drop in 1958. Exports are likely to add at least 175,000 to the domestic total, or about the same as last year.

One Marring Factor

The satisfactory recovery to date in total production and buying power is marred only by the failure of some people to share adequately in this total and by the continued rise in nonfarm prices. Unemployment on a seasonlly adjusted basis still amounts to 5.8% of the total labor force, instead of the 4.0% which prevailed at the same time in 1957.

Over-all price indexes have been stable only because declining farm and food prices have offset further increases in nonagricultural commodities and services. An inexorable upward drift in the latter group has been in evidence since 1951, despite absence of usual inflationary pressures from general excess money demand. The increment in any single year is not serious, but the continued accumulation year after year for a period of years is serious in its impact on the economy.

Upward pressures have come largely from the cost side, with the primary element being wages and salaries. Pay rates, including fringe benefits, have moved ahead much more rapidly than could be absorbed by increased efficiency of production, or productivity as it is commonly called. Until these costs can be held steady, the economy as a whole faces the danger of long-term inflation and/or retarded growth in markets upon which employment and buying power depends.

*From an address by Mr. Hitchings before the Maryland Bankers Association Convention, Atlantic City, N. J.

Dr. Reed Joins Staff Of John Nuveen & Co.

CHICAGO, Ill. — Richard W. Reed, Ph. D., has become associated with John Nuveen & Co., 135 South La Salle Street, as a member of its Research Department in Chicago, according to Chester W. Laing, President.

Dr. Reed has been Director of Research for the Illinois State Toll Highway Commission for the last three years.

Legal Opinion

at par, plus accrued interest, on and after February 1, 1980, as described herein.

names will be furnished on request, and subject to approval of legality by The Honorable Stanley Mosk, Attorney General of the State of California, and by Messrs. Orrick, Dahlquist, Herrington & Sutcliffe, Attorneys, San Francisco, California.

Bank of America N.T. & S.A.
Bankers Trust Company
The First National City Bank of New York
The Chase Manhattan Bank
The First National Bank of Chicago
Halsey, Stuart & Co. Inc.
Blyth & Co., Inc.
The First Boston Corporation

Harriman Ripley & Co. Incorporated
Harris Trust and Savings Bank
Smith, Barney & Co.
Lehman Brothers
American Trust Company San Francisco
Security-First National Bank
California Bank Los Angeles
Drexel & Co.
Glore, Forgan & Co.

Chemical Corn Exchange Bank
C. J. Devine & Co.
Continental Illinois National Bank and Trust Company of Chicago
The Northern Trust Company
R. H. Moulton & Company
Goldman, Sachs & Co.
Kidder, Peabody & Co.

Eastman Dillon, Union Securities & Co.
Bear, Stearns & Co.
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Dean Witter & Co.
Blair & Co. Incorporated
Weeden & Co. Incorporated
The First National Bank of Boston
The First National Bank of Oregon

The Philadelphia National Bank
Seattle-First National Bank
Equitable Securities Corporation
Stone & Webster Securities Corporation
Phelps, Fenn & Co.
White, Weld & Co.
Salomon Bros. & Hutzler
R. W. Pressprich & Co.

Paine, Webber, Jackson & Curtis
Mercantile Trust Company
Shields & Company
Reynolds & Co.
Crocker-Anglo National Bank
J. Barth & Co.
Ladenburg, Thalmann & Co.
John Nuveen & Co. (Incorporated)
William R. Staats & Co.

Hornblower & Weeks
Wertheim & Co.
Hayden, Stone & Co.
American Securities Corporation
Andrews & Wells, Inc.
Bache & Co.
Bacon, Whipple & Co.
A. G. Becker & Co. Incorporated
Braun, Bosworth & Co. Incorporated
Alex. Brown & Sons

Clark, Dodge & Co.
Dick & Merle-Smith
Dominick & Dominick
Fidelity Union Trust Company Newark, N. J.
First of Michigan Corporation
First Western Bank and Trust Company San Francisco, Calif.
Gregory & Sons
Hallgarten & Co.
Hemphill, Noyes & Co.

E. F. Hutton & Company
Laidlaw & Co.
Lee Higginson Corporation
Carl M. Loeb, Rhoades & Co.
W. H. Morton & Co. Incorporated
F. S. Moseley & Co.
National State Bank of Newark
Roosevelt & Cross Incorporated
L. F. Rothschild & Co.

Schoellkopf, Hutton & Pomeroy, Inc.
Shearson, Hammill & Co.
Stroud & Company Incorporated
B. J. Van Ingen & Co. Inc.
Adams, McEntee & Co., Inc.
Barr Brothers & Co.
J. C. Bradford & Co.
Branch Banking & Trust Company

Coffin & Burr Incorporated
Francis I. duPont & Co.
Estabrook & Co.
First Southwest Company
Fitzpatrick, Sullivan & Co.
W. E. Hutton & Co.
Kean, Taylor & Co.
The Marine Trust Company of Western New York
Wm. E. Pollock & Co., Inc.

Stone & Youngberg
Taylor and Company
Tucker, Anthony & R. L. Day
Wachovia Bank and Trust Company
G. H. Walker & Co.
Wood, Struthers & Co.
Bacon, Stevenson & Co.
Baxter & Company

The Boatmen's National Bank of St. Louis
City National Bank & Trust Company Kansas City, Mo.
Commerce Trust Company Kansas City, Mo.
F. W. Craigie & Co.
R. S. Dickson & Company Incorporated
A. G. Edwards & Sons
Eldredge & Co. Incorporated
Geo. B. Gibbons & Company Incorporated

Ira Haupt & Co.
Hirsch & Co.
The Illinois Company Incorporated
A. M. Kidder & Co., Inc.
Lawson, Levy, Williams & Stern
Irving Lundborg & Co.
National Bank of Commerce of Seattle
The National City Bank of Cleveland
Schwabacher & Co.

F. S. Smithers & Co.
Spencer Trask & Co.
Trust Company of Georgia
Anderson & Strudwick
Robert W. Baird & Co. Incorporated
Baker, Watts & Co.
Barret, Fitch, North & Co. Incorporated
William Blair & Company
Bramhall, Falion & Co., Inc.

I. L. Brooks & Co. Incorporated
Dempsey-Tegeler & Co.
First National Bank in Dallas
J. A. Hogle & Co.
Kalman & Company, Inc.
King, Quirk & Co. Incorporated
Mason-Hagan, Inc.
Mercantile-Safe Deposit and Trust Company

Newhard, Cook & Co.
New York Hanseatic Corporation
The Ohio Company
Rand & Co.
Rauscher, Pierce & Co., Inc.
Republic National Bank of Dallas
Stern Brothers & Co.
Tripp & Co., Inc.
Van Alstyne, Noel & Co.

Chas. E. Weigold & Co. Incorporated
J. C. Wheat & Co.
R. D. White & Company
J. R. Williston & Beane
Robert Winthrop & Co.
Blunt Ellis & Simmons
C. F. Childs and Company Incorporated
Julien Collins & Company
Field, Richards & Co.

The First Cleveland Corporation
The First National Bank of Memphis
The Fort Worth National Bank
Glickenhaus & Lembo
J. B. Hanauer & Co.
Hannahs, Ballin & Lee
Hayden, Miller & Co.
Industrial National Bank of Providence

Kenower, MacArthur & Co.
Lyons & Shafto Incorporated
Wm. J. Mericka & Co., Inc.
Model, Roland & Stone
Moore, Leonard & Lynch
Mullaney, Wells & Company
Park, Ryan, Inc.
Shuman, Agnew & Co.
Stern, Lauer & Co.

J. S. Strauss & Co.
Third National Bank in Nashville
The White-Phillips Company, Inc.
Wood, Gundy & Co., Inc.
Auchincloss, Parker & Redpath
Boettcher and Company
City National Bank and Trust Company of Chicago
Courts & Co.

J. M. Dain & Co., Inc.
Dallas Union Securities Co., Inc.
Davis, Skaggs & Co.
Shelby Cullom Davis & Co.
Dittmar & Company, Inc.
Dreyfus & Co.
Fahey, Clark & Co.
Fahnestock & Co.
First National Bank of Minneapolis

The First National Bank of Saint Paul
Foster & Marshall
Freeman & Company
Ginther & Company
Goodbody & Co.
Green, Ellis & Anderson
Laird, Bissell & Meeds
McCormick & Co.
McDonald & Company

Mercantile National Bank at Dallas
Merrill, Turben & Co., Inc.
The Milwaukee Company
Newburger, Loeb & Co.
Northwestern National Bank of Minneapolis
Putnam & Co.
Raffensperger, Hughes & Co. Incorporated
Reinholdt & Gardner

Rippel & Co.
The Robinson-Humphrey Company, Inc.
Rockland-Atlas National Bank of Boston
Russ & Company Incorporated
Ryan, Sutherland & Co.
Schmidt, Roberts & Parke
Seasongood & Mayer
Herbert J. Sims & Co., Inc.

Sterne, Agee & Leach
Suplee, Yeatman, Mosley Co. Incorporated
M. B. Vick & Company
Westheimer and Company
E. Ray Allen & Company Incorporated
Malon S. Andrus, Inc.
George K. Baum & Company
Bosworth, Sullivan & Company, Inc.

Brush, Slocumb & Co., Inc.
Burns, Corbett & Pickard, Inc.
Edward L. Burton & Co.
John W. Clarke & Co.
Cumberland Securities Corporation
Cunningham, Schmertz & Co., Inc.
Dewar, Robertson & Pancoast

A. Webster Dougherty & Co.
R. J. Edwards, Inc.
Elkins, Morris, Stokes & Co.
Ellis & Company
Clement A. Evans & Co. Incorporated
Federation Bank and Trust Co.
The First of Arizona Company
First Union National Bank of North Carolina

Frantz Hutchinson & Co.
Granbery, Marache & Co.
Harrington & Co., Inc.
Chester Harris & Co.
Hill Richards & Co. A Corporation
Lucas, Eisen & Waeckerle Incorporated
McDonnell & Co. Incorporated
McMaster Hutchinson & Co.

Milburn, Cochran & Company, Inc.
Muir Investment Corp.
W. H. Newbold's Son & Co.
D. A. Pincus & Co.
The Provident Bank
Rodman & Renshaw
Stein Bros. & Boyce
Stranahan, Harris & Company

Stubbs, Watkins and Lombardo, Inc.
Talmage & Co.
Thomas & Company
Townsend, Dabney & Tyson
Chas. N. Tripp Company
Winslow, Cohu & Stetson Incorporated
Wulff, Hansen & Co.

June 11, 1959

A circular relating to these bonds may be obtained from any of the above underwriters, as well as other underwriters not shown whose names will be furnished on request.

Monetary Stability—A Prime Condition of Economic Expansion

By GOTTFRIED HABERLER*
Professor of Economics, Harvard University

Harvard economist denies that a small amount of inflation is harmless, particularly since the beginning of inflation leads the monetary authorities to take steps entailing recession. Maintains large increases in money supply and credit are first element in any inflationary situation. Dr. Haberler asserts freer trade and fuller convertibility are a strong safeguard against inflation; that foreign competition has salutary effect on a nation's economy; and protectionism must be resisted.

I have been asked to comment briefly on the statement "Monetary Stability, Prime Condition of Economic Expansion" adopted by the Council of the I.C.C.

First, I should like to congratulate the drafters on the excellence, forcefulness and clarity of the proposed resolution. In barely three pages, the statement manages to sketch the basic issues and to give very sound advice on a variety of policy questions. I find myself in agreement on most points and shall confine my remarks to amplifying a few.

The statement urges governments to avoid "inflationary price rises" not only for the sake of social justice, but also and primarily "in order to achieve high and rising standards of living and high levels of employment." It says, quite rightly in my opinion, that "sooner or later governments are forced to take action and in the process of checking inflation, may have to halt expansion or even induce recession." This, by implication, condemns deflation as vigorously as inflation.

It is now fashionable to belittle these apprehensions and to say that only a fairly severe inflation, implying a price rise of, say, 5% or more per annum, would have such dire consequences. A mild inflation of, say, 2 or 3% a year, on the other hand, is said to be quite safe and the monetary authorities are admonished not to prevent a little inflation and at the same time to see to it that inflation does not go beyond this creeping pace.

This view seems to me very unrealistic. It is true that a price rise of even 5% for a year or two would not be a serious matter, if it came during a long period of stability or after years of falling prices. But to assume that a creeping inflation which has gone on for years, especially if it is announced by high authorities to be inevitable and sure to continue, can remain for long at the creeping pace, seems to me very naive to put it mildly. It surely would tend to accelerate when more and more people begin to realize what is going on and take steps to protect themselves. When it is countered that the monetary authorities can prevent a creeping inflation from degenerating into a trotting or galloping inflation by keeping money tight enough—I fully agree. But I submit that this completely misses the point: Once a creeping inflation tends to turn into a trot or a gallop because unions ask for high wage increases in anticipation of rising prices and investors insist on higher bond yields, etc.—once that stage has been reached, a monetary policy which merely keeps inflation at a creeping pace (without attempting an actual deflation) will be quite sufficient to halt expansion and induce recession.

For Higher Living Standards

Again, I heartily agree when the statement asserts that "a steady maintainable growth with stable prices will achieve higher standards of living in the long run"—I wonder whether one should not add: "and in the short run as well"—than boom and bust expansion or than rigid systems of allocation, price control, and restriction of consumer choice. By "bust" the Committee means, I presume, severe depressions of the 1929-32 or 1937-38 type. I hope the Committee will agree that mild recessions as we had them in the United States in the postwar period cannot be altogether avoided in a free enterprise economy, even if price or monetary stability is maintained. I personally would even be prepared to revive the old-fashioned view which is not very popular today that mild recessions—let me repeat, only mild and short recessions — like fast and mild purgatives serve a useful function by eliminating weak spots and by spurning management to renewed efforts to weed out waste, tighten discipline and to increase efficiency and reduce cost all 'round.

In its recommendations, the statement stresses first credit policy and monetary policy. I fully agree with that emphasis. That simply means putting first things first. There has not been recorded in the economic history of the world, anywhere or at any time, a single case of serious inflation without a large increase in the quantity of money and credit. This may sound trite and trivial, but unfortunately r e q u i r e s to be stressed more than ever.

The statement refrains from giving a formal definition of inflation. But if I understand it right, the Committee definitely does not want to conceive of a noninflationary monetary policy merely as one that seeks to keep some price level, either consumer prices or wholesale prices, constant over time. It seems to advocate a more exacting definition of noninflation, n a m e l y, a policy which tries to keep the quantity of money and credit or rather the quantity of money times velocity of circulation, i.e., total monetary expenditure, in some sense approximately stable, presumably not in the aggregate but per head of the population.

I call this type of policy, which is sometimes called a policy of monetary stability, more exacting and ambitious than a policy of price stability, because under that system in a progressive economy the price level would have to fall gradually over the long pull when as a consequence of technological improvements, accumulation of capital, mechanization and automation, output per head rides, or expressed differently, cost of production for m a n y commodities gradually declines. As a footnote, it should be added that, as your statement wisely indicates, an improvement in quality of a product implies a fall in the real price if the nominal price remains constant.

Let me illustrate the difference between the two postulates, the postulate of price stability and the postulate of monetary stability, by just one but rather important historical example. The period of the late 1920's immediately preceding the Great Crash of 1929 was characterized by stable prices (absence of price inflation) at least if we leave out of account security prices and real estate prices. But it could be argued that there was monetary inflation because MV rose. And some people would argue that if MV had been kept stable, i.e., if prices had been allowed to fall, the following depression would have been avoided or at least greatly mitigated.

There is no time to go into that hypothetical question. I can only say that in my opinion it would not have been that easy to avoid the Great Depression.

It is true that in one case what I have called the more exacting postulate of noninflation would be really less exacting than the policy of price stability—namely, in the case of a retrogressive economy. Suppose output falls as a consequence of war destruction or of a series of crop failures; then under that system prices would be allowed to go up. I have no quarrel with that implication, but I think it is more realistic at least for most countries to think of conditions of progress and growth rather than of retrogression and decline.

Sympathetic to Gradual Price Decline

Confining myself, then, to the case of a growing economy, I have respect and sympathy for the view that the price level should be allowed gradually to decline. But I wonder whether it is not a little over-ambitious. Indeed, I believe that we shall be very lucky if we can hold the price line in the long run and prevent a continuous or intermittent upcreep of the price level. Suppose our monetary authorities did achieve price stability—would it be fair and would it be wise to call their policy inflationary because the price level was not made to decline gradually *pari passu* with the growth in output per head? Is it good policy to split the ranks of anti-inflationists by calling those who are satisfied with long-run price stability inflationists on the ground that they should ask for more, i.e., for a declining price level?

The way I phrased the question gives away the answer which I personally favor. I think we should be satisfied with the more modest goal of price stability.

Those who ask for more, that is to say, recommend a slowly falling price trend — stable money wages and falling prices rather than stable prices a n d rising money wages—may become a little more willing to accept the more modest goal if they consider two implications of the policy of long-run stability of the price level.

First, let us not forget that we speak of the price *level*. It is not the job of monetary and credit policy to i n f l u e n c e individual prices. Individual prices, in a free enterprise economy, should be left alone to go up or down in response to market forces of supply, demand, technological change, and so on. Consider some implications of that principle.

Economic progress is always uneven. Some industries are able to chalk up more rapid technological advances than others. Some are capable of mechanization and automation, while others are not. If, under t h e s e circumstances, the price level is to remain stable, the prices of the more rapidly advancing industries must be allowed to fall—passing on to the consumer some of the fruits of technological innovation in the form of lower prices or in the form of better products at stable prices. Prices of the less progessive industries where costs have not fallen, on the contrary, will have to go up. The reason is that under the system of stable price level wages everywhere should rise roughly in proportion to the increase in *general* productivity. This is a matter of very great importance which is rarely fully understood. The general wage level — apart from wage differentials due to differences in skill and temporary differentials to induce shifts from contracting to expanding industries—cannot rise faster, even in the progressive industries, than *general* productivity. If workers in the progressive industries capture the whole increase of output per head there, wages elsewhere will after a while catch up and the price level will be pushed up.

The other side of the same medal is that prices of the products of the progressive industries must fall and prices of the products of less progressive industries must rise—if the price *level* is to remain stable.

The second implication of long-run price stability is that if prices are allowed to go up a little during business cycle upswings, as they almost always did in the past under these conditions, they have to go down during business cycle downswings. If prices rise during business cycle upswings but only stand still during downswings—the pattern of price behavior which the U. S. economy experienced during the postwar period—we shall have chronic though intermittent inflation which is bound gradually to erode the confidence in the soundness of money.

All this should make it clear, it seems to me, that the postulate of long-run price stability, if rightly understood, implies a good deal and is exacting enough. I, therefore, doubt the wisdom of asking for more.

Freer Trade and Convertibility Safeguard Against Inflation

The statement ends by demanding once again, as the I.C.C. has done so often in the past, freer trade and fuller convertibility. Freer trade and full convertibility are, of course, desirable in themselves, but they are also in most countries a s t r o n g safeguard against inflation. The smaller countries have always known that they have to maintain internal monetary and wage discipline if they don't want to upset their balance of payments and to endanger the international value of their currency. Now even the greatest economic power, the United States, which for many years seemed to be immune to that limitation, is beginning to feel the spur of foreign competition. This is a very salutary development, but it makes it all the more important that protectionist tendencies be held in check and the fight for further reduction in trade barriers be pressed. The I.C.C. has always been in the forefront of that battle and is more than ever destined to play a vital role in this crucial task. It can discharge this duty, not only by bringing pressure on governments, but also by bringing pressure upon the pressure groups which lobby for tariffs and import quotas at home, while cheerfully voting for resolutions urging international cooperation and liberal trade policies at international gatherings.

*An address by Dr. Harberler before the International Chamber of Commerce, Washington, D. C.

Wall Street Men Named by N. Y. Fund

Joseph H. King, partner in Eastman Dillon, Union Securities & Co., New York City, has accepted the Chairmanship of the Investment Bankers, Security Dealers section of the financial unit in the Greater New York Fund's 1959 appeal.

Lawrence G. Botts, partner in Thomas, Haab & Botts, will head the Put & Call Brokers group in the unit.

Emanuel F. Lewis, Shapiro Brothers Factors Corp., will be Chairman and Harry J. Delaney, John P. Maguire & Co., Inc., will be Vice-Chairman of the Factors group in the financial unit.

Crain Opens New Office

HEMPSTEAD, N. Y. — Nathan Crain has opened a branch office at 114 Main St.

Butcher & Sherrerd to Admit J. W. Heward

PHILADELPHIA, Pa.—On July 1 James W. Heward will become a partner in Butcher & Sherrerd,

James W. Heward

1500 Walnut St., members of the New York and Philadelphia-Baltimore Stock Exchanges. Mr. Heward is manager of the firm's municipal bond department.

$27 Million Bonds Of City of New York Offered to Investors

An underwriting group headed by The Chase Manhattan Bank on June 4 puchased $27,000,000 New York City 3.60% various purpose bonds due June 15, 1960 to 1974, inclusive. The bonds were reoffered at prices to yield from 2.40% to 3.69%, according to maturity.

Associates in the group include: Chemical Corn Exchange Bank; Manufacturers Trust Co.; Lehman Brothers; Blyth & Co., Inc.; Lazard Freres & Co.; Barr Brothers & Co.; R. W. Pressprich & Co.; Merrill Lynch, Pierce, Fenner & Smith Inc.; Goldman, Sachs & Co.;

The Northern Trust Co.; Harris Trust and Savings Bank; Equitable Securities Corp.; Drexel & Co.; The Philadelphia National Bank; Hornblower & Weeks; Carl M. Loeb, Rhoades & Co.; Ladenburg, Thalmann & Co.; Blair & Co. Inc.; Hallgarten & Co.;

Hemphill, Noyes & Co.; The Marine Trust Co. of Western New York; F. S. Moseley & Co.; Paine, Webber, Jackson & Curtis; Schoellkopf, Hutton & Pomeroy, Inc.; Swiss American Corp.; B. J. Van Ingen & Co. Inc.; Wertheim & Co.; Bache & Co.;

Baxter & Co.; A. G. Becker & Co. Inc.; Federation Bank and Trust Co.; Gregory & Sons; E. F. Hutton & Co.; Wm. E. Pollock & Co., Inc.; Reynolds & Co.;

A m e r i c a n Securities Corp.; Ernst & Co.; First National Bank in Dallas; Hirsch & Co.; J. A. Hogle & Co.; Laurence M. Marks & Co.; Rauscher, Pierce & Co., Inc.; Trust Co. of Georgia; Weedon & Co. Inc., and Chas. E. Weigold & Co. Inc.

L. A. Weston Joins Talmage Wilcher, Inc.

Tad Wilcher, President of Talmage Wilcher, Incorporated, Harvey Building, has announced that Leonard A. Weston, former Administrator Director, Industrial Services Division, Florida State Development Commission, Tallahassee, Florida, and presently consultant to the Pitt County, North Carolina Development Commission, joined the Staff June 1.

Mr. Weston's position with the corporation will be as consultant on foreign affairs. For many years he has operated his own industrial engineering firm, serving as industrial and economic adviser to several European, Asian and South American nations.

He served as a Lieutenant-Colonel in the United States Army, Inspector General's Department, with Air Service and Air Transport Command in all theaters of operation.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

First National City Trust Company, New York, has announced the appointment to Vice-President of Charles C. Goodfellow, Glen K. Green and David C. Powers.

At the same time the trust company announced the promotion of John F. Lennon from Assistant Trust Officer to Trust Officer and Arthur C. Merrill from Assistant Cashier to Assistant Vice-President.

* * *

Frank W. Bogardus, Jr. and Stuart Lindsay have been advanced to Assistant Vice-Presidents in the trust department of **The Chase Manhattan Bank, N. Y.,** George Champion, President, announced. Both are former investment officers.

James M. Lane was appointed an Investment Officer, and three Assistant Treasurers were named: Edward A. Hohenstein, money transfer department; Robert E. Jones, special services department; and Robert L. Matthews, loan review department.

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The election of The Right Honorable C. D. Howe of Montreal to the Advisory Board on International Business of **Chemical Corn Exchange Bank, New York** was announced by Harold H. Helm, Chairman.

* * *

Morgan & Cie, Paris, subsidiary of **J. P. Morgan & Co., Inc.,** until its merger with **Guaranty Trust Company of New York,** will be merged into **Morgan Guaranty Trust Company of New York.**

* * *

Francis P. Ford, a Vice-President of the **Morgan Guaranty Trust Company of New York,** died June 6. His age was 54. Mr. Ford started with the **Guaranty Trust Company of New York** 39 years ago. He became Second Vice-President in 1945 and Vice-President in 1947.

* * *

Irving Trust Company, New York, announces the promotion of George R. Hogg, Arthur R. Roy, Jr., and Clifford M. Svikhart from Assistant Secretary to Assist Vice-President. Arthur K. Carlson was named an Assistant Vice-President.

Messrs. Hogg, Roy and Carlson are in the domestic banking division and Mr. Svikhart is associated with the personal trust division.

In addition, Messrs. Thomas E. Darrow, Frederick E. Groehl, Robert G. Hildreth, Jr., Arthur F. Keller, Allen R. Malcolm, Lawrence R. Mehringer, and Robert T. Williams were named Assistant Secretaries.

* * *

Banking opportunities in the expanding economy of the future hold great promise, Albert C. Simmonds, Jr., Chairman of the Board of **The Bank of New York,** said June 9 at a luncheon celebrating the bank's 175th Anniversary.

After citing figures that projected a population of 260,000,000 in 1980 and an average family income of $25,000 (in 1953 dollars) 80 years hence, Mr. Simmonds said these predictions "sound like good news to bankers as well as other businessmen."

Today marks the day in 1784 when the bank's doors were opened for business for the first time.

* * *

Robert Louis Feuer and Thurlow Alfred West were promoted to Assistant Secretaries at **The United States Trust Company of New York,** according to an announcement made by Hoyt Ammidon, President.

Mr. Feuer, who is assigned to the systems planning department, joined the trust company in November, 1957.

Mr. West, who joined the trust company's training program in April, 1955, is assigned to the business development department. As Assistant Secretary, he will be in charge of advertising and public relations.

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The opening of **The Seamen's Bank for Savings, New York,** office at 11 Beaver Street in the Battery Bowling Green area corresponds with the 130th anniversary year of the bank.

* * *

Harry R. Marshall, Trust Officer of **The County Trust Company, White Plains, N. Y.,** completed 25 years of service with the bank.

* * *

National Bank of Westchester, White Plains, N. Y. through Ralph T. Tyner, Jr., Chairman, and Harold J. Marshall, President, announces the election of J. Frank Holahan as Vice-President.

Mr. Holahan will terminate his present assignment as supervisory review examiner for the Board of Governors of the Federal Reserve System, Washington, D. C., on June 12, 1959, and will join the bank on June 15.

* * *

Ainslie A. Slodden, Vice-President in charge of the business extension division of **Manufacturers and Traders Trust Company, Buffalo, N. Y.,** was elected Senior Vice-President. Kenneth E. Smalley, Vice-President in charge of the mortgage department, was also elected to Senior Vice-President.

* * *

Lincoln National Bank and Trust Company of Central New York, Syracuse, New York, increased its common capital stock from $2,096,250 to $2,358,280 by sale of new stock, effective May 29. (Number of shares outstanding—235,828 shares, par value—$10.)

* * *

At special meetings near the end of the month, stockholders of **The Fairfield County Trust Company, Stamford, Conn.,** and the **Danbury National Bank, Danbury, Conn.,** will vote on a proposed merger of the two banks.

* * *

First National Bank of Manchester, Conn., with common capital stock of $500,000, has gone into voluntary liquidation by a resolution of its shareholders dated May 5, effective at the close of business on May 22. Absorbed by: **Hartford National Bank and Trust Company, Hartford, Conn.**

* * *

Melvin Carl, President of the **Montgomery County Bank and Trust, Norristown, Pa.,** died on June 6 at the age of 52.

* * *

Merger certificate was issued approving and making effective, as of the close of business May 22, the merger of **Pioneer Dime Bank, Carbondale, Pa.,** with common stock of $50,000 and preferred stock of $100,000 into **Northeastern Pennsylvania National Bank and Trust Company, Scranton, Pa.,** with common stock of $5,454,000. The merger was effected under the charter and title of Northeastern Pennsylvania National Bank and Trust Company, with capital stock of $5,562,000, divided into 309,000 shares of common stock of the par value of $18 each.

* * *

The common capital stock of **The Merchants and Manufacturers National Bank of Sharon, Pa.,** was increased from $250,000 to $500,000 by a stock dividend, effective May 27. (Number of shares outstanding — 25,000 shares, par value—$20.)

* * *

John W. Hustwit and Ray C. Nesbitt have been designated Assistant Managers of **Fidelity Trust Company, Pittsburgh, Pa.,** branch offices and Frank J. Koch has been named an Assistant Secretary, according to John A. Byerly, Fidelity President. Mr. Hustwit will serve in the Lebanon Shops office, Mt. Lebanon; Mr. Nesbitt will serve in the Allegheny Valley office at Verona; and Mr. Koch remains in Fidelity's Butler office.

Mr. Hustwit commenced his banking career in 1946 with the **Potter Bank.** Following the merger of Potter Bank into Fidelity last fall, he served as a control teller until his appointment at the Lebanon Shops office.

Mr. Nesbitt began his banking career in Butler, Pa. He later worked in Rochester, Pa., and Los Angeles, Calif., before joining Fidelity in 1956 as a member of the loan department.

Mr. Koch has spent his entire career in banking since 1926 when he went to work for the former **Guaranty Trust Company** and its successor the **Union Trust Company.** The latter was merged into Fidelity in 1952.

* * *

William T. Gordon, Vice-President in charge of **The Bank of Virginia's, Richmond, Va.,** 8th and Main Streets office, was made Regional Vice-President responsible for the administration of the bank's nine Richmond offices, Herbert C. Moseley, President, announced. His promotion was by action of the bank's board of directors at its June meeting held in Richmond.

Succeeding Mr. Gordon, Frank T. Hyde, Vice-President, is being advanced to become officer in charge of the 8th and Main Streets bank.

Mr. Gordon, a native Richmonder, has spent his entire business career in banking and with The Bank of Virginia, having joined that organization on May 1, 1936.

He was promoted to Assistant Vice-President on Dec. 12, 1949 and to Vice-President on June 4, 1952.

Mr. Hyde joined The Bank of Virginia on Nov. 16, 1945.

On Dec. 7, 1951, he was elected Assistant Vice-President.

He was promoted to Vice-President on Dec. 6, 1957.

* * *

The Rapid City National Bank, Rapid City, S. Dak., increased its common capital stock from $600,000 to $800,000 by a stock dividend, effective May 29. (Number of shares outstanding — 32,000 shares, par value $25.)

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A joint announcement on June 8 by W. W. Crocker, Chairman of the Board of **Crocker-Anglo National Bank, San Francisco, Calif.** and T. A. Work, Chairman of the Board of **The First National Bank of Monterey, The Bank of Carmel,** and the **First National Bank of Pacific Grove,** revealed that negotiations are in progress toward a four-way merger in which those three latter banking institutions would merge into and become part of Crocker-Anglo.

In the event of the merger, the shareholders of The First National Bank of Monterey and the shareholders of The First National Bank of Pacific Grove will each receive 22 shares of Crocker-Anglo National Bank stock in exchange for each share of stock in their respective banks, and the shareholders of The Bank of Carmel will receive 44 shares of Crocker-Anglo National Bank stock in exchange for each share of The Bank of Carmel stock. The present market value of Crocker-Anglo stock is approximately $35 per share.

The four-way merger has been informally approved by the Directors of the four institutions and is now contingent on the formal approvals by the boards, ratification by the respective shareholders and the consent of supervisory authorities.

Since The First National Bank of Monterey has offices in both Monterey and Seaside, the merger would add four offices to Crocker-Anglo's system, which currently numbers 81. Total deposits of the three Monterey Peninsula institutions would increase by $27,000,000 Crocker-Anglo's total deposits of more than $1,500,000,000; their combined $29,000,000 in assets would be added to Crocker-Anglo's assets of more than $1,700,000,000; and a total of almost $2,000,000 would be joined to Crocker-Anglo's $118,000,000 in capital accounts.

The earliest direct ancestor of Crocker-Anglo Bank was chartered in 1870 and the institution in its current form resulted from the 1956 consolidation of the former Crocker First National and Anglo California National Banks.

The proposed merger would be Crocker-Anglo's second this year. Only a few days ago, on May 29, the County National Bank of Santa Barbara and that institution's branch in Montecito became Crocker-Anglo offices.

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First National Bank of Roseburg, Roseburg, Ore., was granted permission from the Office of the Comptroller of the Currency to open a new Bank. Elton V. Jackson is President and S. W. McLaughlin is Cashier.

The Bank has a capital of $250,000 and a surplus of $250,000.

Detroit Tractor Co. Securities Offered

Willis E. Burnside & Co., Inc., New York City, offered 132,375 shares of class A common stock (par $2) of Detroit Tractor Ltd. at $2 per share.

The company was incorporated on Oct. 31, 1958 under Delaware law. It maintains its office at the Chamber of Commerce Bldg., Muskegon, Mich. The corporation intends to manufacture in Muskegon, three different models of crawler (tracklaying) tractors and four different models of four-wheel drive rubber-tired tractors which will be used for farm and industrial use. The tractors will range from 14 HP to 52 HP Drawbar (rating) but immediate production will be concentrated on the 35 HP Drawbar model. A small number of demonstrator models are in the process of being manufactured in Detroit and will be completed in the next 30 days. Orders have been placed for engines, transmissions and other major components to be delivered to Muskegon for assembly into tractors. Materials are also being ordered for fabrication into implements for attachment to the tractors. When, as and if the proceeds of this underwriting are available, the company intends to start manufacturing in Muskegon.

L. Nelson Carter

L. Nelson Carter passed away May 30 at the age of 76. Mr. Carter had been associated with Kidder, Peabody & Co. in Newark, N. J.

Philip Cortney Given Honorary Degree

Hamilton College awards Doctorate of Laws to noted industrialist-economist.

CLINTON, N. Y.—Hamilton College on June 7 awarded an honorary degree of Doctor of Laws to Philip Cortney, Chairman of the U. S. Council of the International Chamber of Commerce and President of Coty, Inc.

Philip Cortney

The citation given Mr. Cortney stressed his leadership in the International Chamber of Commerce "which this year is celebrating its 40th anniversary as a champion of international trade and investment and of the private enterprise system." It said that Mr. Cortney had personified in his own career many of the basic tenets of the International Chamber.

Mr. Cortney is presently completing a two-year term as Chairman of the Chamber's United States Council. He will continue as a member of the Chamber's governing body.

Stone & Webster Group Offers Duke Power Co. Preferred Stock

An underwriting group headed by Stone & Webster Securities Corporation placed on the market June 10 a new issue of 250,000 shares of Duke Power Company 5.36% cumulative preferred stock ($100 par), series B, priced at $102.095 per share and accrued dividends to yield 5.25%. The issue was awarded to the group at competitive sale June 9 on its bid of $100.419 per share.

Proceeds from the sale will be used in connection with the company's continuing construction program which is expected to involve the spending of $66,423,000 in 1959, including $39,745,000 for completion of new generating plants and additions.

The new preferred stock is subject to redemption at $108.095 per share on or prior to June 1, 1964, at $106.095 per share thereafter but on or prior to June 1, 1969, and at $104.095 per share thereafter.

Giving effect to this sale the company will have outstanding in addition to the 250,000 shares of new preferred, 2,837 shares of series A preferred stock of $100 par, 10,987,604 shares of common stock (stated value of $17.50), and $235,000,000 of long-term debt.

Duke Power provides electric service in the Piedmont section of North and South Carolina, serving 50 counties in the two states. Electric service is supplied directly by the company in 214 cities, towns and unincorporated communities. Among the cities are Charlotte, Winston-Salem, Durham, Greensboro, Burlington and Salisbury in North Carolina, and Greenville, Spartanburg and Anderson in South Carolina.

In 1958 the company's total utility operating revenues were $145,065,486 and net income was $22,859,280, compared with $136,474,603 and $20,888,343 in 1957.

Irving Lobel Opens

FOREST HILLS, N. Y.—Irving Lobel is conducting a securities business from offices at 64-34 102nd Street. He was formerly with Fleetwood Securities Corp. and Universal Securities Co.

Continued from first page

As We See It

must pay rates of interest which are attractive to these small investors.

The necessity for raising the debt limit has now grown so obvious and public interest in the matter so restricted that there appears to be no doubt that the President will get what he wants and needs without difficulty. Of course, everyone knows, or should know, that our public debt is much too large at the present time, and should not under any circumstances be permitted to grow larger. But the fact is that commitments have been made that require additions to it, and commitments must be honored. Some legislators appeared at one time to be under the impression that they could prevent loose fiscal policies by the simple process of placing a formal ceiling upon the outstanding debt of the Treasury—as if Congress could in this way bind itself irrevocably to better fiscal behavior in the future. Of course, nothing of the sort has happened, and there is nothing to do for the moment at least but to meet the obligations already undertaken.

All for the "Small Man"

As for the rate paid on savings bonds, it is the "small man" who presumably benefits from higher returns on these obligations and hence the politician is predisposed to doing what is necessary to attract him to the securities in question, or what is believed to be necessary for that purpose. There is a good deal of merit in this type of investment when its terms are right—merit, that is, for the small investor—and when they can be sold readily, these bonds are capable of bringing substantial sums of money into the Treasury. One supposes that the needed changes will be made without much fuss about them.

The higher rate on marketable bonds is the sticking point; the sticking point not because of any logical reason against it, or any practical consideration tending to make the change undesirable, but because there remains in so many uninformed minds the notion that somehow interest as such favors the wealthy and is a burden, an unnecessary and unfair burden, upon the man of small means. The banks are large holders of government obligations and so are many other large institutions and enterprises. No sooner is the subject of higher interest rates on governments raised than voices are heard charging favors to the rich at the expense of the poor. It would be surprising if such arguments are not used to the limit by a good many to prevent, if they can, any change in the present law limiting the interest rates on government bonds.

Need Greater

Yet the need for this change is greater and the logic behind it is even stronger than in the cases of either the rates on savings bond or the debt limit. Whether we like it or not—and, for our part, we do not like it—the Treasury has to borrow huge funds both for new money and for the funding or refunding of issues already outstanding. It could not begin to raise such sums through the sale of savings bonds. It begins to look more and more doubtful whether it can do so by the sale of long-term bonds—which should be the main reliance at this time—if no more than 4¼% can be offered on them. This leaves two recourses, neither of them in the public interest.

The first is to continue the present policy of confining issues to maturities within the current interest rate ceiling. The other is to have the Federal Reserve System come to the aid of the Treasury, as was the custom in the New Deal days, and drive interest rates down—if that can still be done—to a point where investors are willing to take governments at rates the Treasury is able lawfully to pay. So much has been written and said about the desirability of getting much more of the national debt into longer term obligations that it is hardly necessary again to bring the many arguments to bear against further shortening of the debt. Such a policy could end in something approaching disaster, and should not be thought of for a moment.

The other recourse, that of in effect converting government obligations into money, would without the slightest question in the end bring calamity—if carried to the extreme necessary for the purpose in question. There are those who inveigh against higher interest rates at every opportunity, and there are those who would have the Reserve authorities soften their policies, but the changes necessary to make it possible to proceed without removing the 4¼% limit probably are greater than generally realized. The trouble is that so few have any real conception of the state of affairs here in question.

But, of course, none of all this goes to the root of the trouble, which is the reckless way Congress, often with the blessings of the Administration, spends the taxpayers' money and thus obliges the Treasury to find larger and larger sums in the bond market. Unless and until some way is found to bring the powers that be to an understanding of this fact, we shall have such problems almost without solution.

Continued from page 5

Commercial Bank Investing Under Recent Conditions

interest rate on one-year certificates to refund the $1,800,000,000 1¼s maturing May 15—this was priced at 99.95 to yield 4.05%. The attrition may be large[1]—the net result of the package was to *reduce* the expected net cash financing in May by about $1 billion. There were several reasons for this improvement in the Treasury's situation:

(1) The original estimate of cash needs was conservative.

(2) The new plan of financing obviously reduced the attrition from the refinancing of May's $4,500,000,000 of maturities.

(3) Payments by Britain and West Germany directly to the United States have helped the Treasury's cash balance by about $350,000,000.

The package also fills up the December Tax Bill "maturity." Now there will be $1,500,000,000 of tax bills due in September and again in December. This still leaves March and June 1960 open for the cash financing due in July and in the fall—if the Treasury needs to use them.

Finally, the package cuts down sharply on the problem ahead for a year from now. If the entire $4,500,000,000 of May 15 maturities had been "rolled over" into a one-year security there would have been a huge $9,500,000,000 amount maturing next May 15. Now it will be $6,900,000,000.

Barring unforeseen circumstances, the May operations will carry the Treasury until early July, when a new cash financing will be necessary — to be announced in late June. Any minor deviation from present expectations probably will be handled by increasing the weekly bill issues.

Pressure for Higher Government Rate

Treasury officials conceded that no bond could be sold now with the present ceiling at 4¼%. But they have indicated that it is unlikely to expect the Treasury to "sit around for a great many months or a year in a position of being unable to finance beyond five years."

Sound debt management is difficult, if not impossible, under circumstances which necessitate constant deficit financing. Under existing circumstances, increasing amounts of short dated offerings are inevitable, *but* the Treasury obviously will try to offer intermediate and longer dated issues whenever the market shows any ability to absorb such securities. It continues to be the Treasury's desire to reduce the size of the debt, to extend maturities and to issue obligations to others than commercial banks — in order to avoid the inflationary aspects of an increased money supply. Recently part of the objective was achieved in that a goodly portion of the Treasury bills have been absorbed by corporations, pension funds, and other large non-bank holders. However, as these holders rebuild inventories, purchase mortgages, purchase corporate or municipal bonds, or perhaps use funds for capital purposes, the supply of short-term Governments available to the market will increase again and short-term rates could continue to rise. The Federal Reserve authorities have indicated a reluctance to supply the reserves needed to permit ready absorption of these short dated Treasury issues by the commercial banks and, thus, higher rates in the nearby maturities seem a reasonable expectation, in due course.

Debt Reconstruction Is on Its Way

The Treasury is taking a very realistic view of the situation and in the offerings of the 289 and 340 day Bills has initiated a new cycle of what will be one year Bills. It is the plan to issue $2 billion of 12-month Bills quarterly in January, April, July and October of each year. This, you will note, is in addition to the cycles of 91-day and 182-day Bills. These offerings should alleviate the Treasury's problem somewhat. It will make it possible for corporations to acquire Bill maturities suitable to their dividend and capital market requirements and commercial banks will find these obligations very suitable to their needs from time to time. The Federal Reserve System, too, will be able to expand its open-market operations into the longer Bills and doubtless open-market operations thus may be even more flexible than in the past.

Tax anticipation financing is now concentrated in March, June, September and December issues. Treasury debt, other than Bills, now can be concentrated in February, May, August and November maturities. Thus, a reconstruction of the debt structure is taking place and a very important change is occurring, especially in the short-term maturity schedule.

During the remainder of the calendar year, the Treasury may need to borrow as much as $8-$10 billion in cash. It will need to "roll-over" $8.9 billion of publicly held issues which will mature during the period. Total one-year maturities amount to about $79 billion, including Savings bond maturities.

Predicts Depressed Bond Prices

The Treasury's task, obviously, is a tremendous one and its cash needs will be greatest during a period when commercial bank loans will be increasing, on at least a seasonal basis, and possibly because of industry's need to replenish inventories. The demand, too, could well coincide with increasing capital market requirements. Under the circumstances, one can not look forward to any early or sustained recovery in bond prices.

Longer rates are around the 4% or better level now. What they do will depend upon how much and how often the Treasury hits the longer maturities with additional issues. In this area the Treasury's problem is most aggravating. Buying power from U. S. Government Trust Accounts, from Municipal Accounts and from the Savings Bank group is either decreasing or has ceased. Offerings of tax-free securities are high and well may increase. With housing starts large, mortgages will be available in abundance. If business activity continues upward, corporations well may seek increasing amounts in the capital market. Obviously, the Treasury market's competition is keen and no relief is in sight.

Today many banks are more liquid than 1958 but less liquid than they were in 1954. Federal Reserve action thus can have a more rapid impact upon these institutions. Those that are well fortified with short-term securities thus can be more flexible than others and can take care of their customers' needs far more readily than such banks as may find themselves frozen in.

Exchanges for Short-Dated Issues

Whenever the Federal Reserve Banks have maturing obligations, it is a foregone conclusion that the Treasury will offer short-dated issues in exchange for them, and, of course, the Treasury itself can control the maturities which may be placed in various U. S. Government investment accounts. Much of this debt is in the form of special issues and in some cases special interest rates must apply. There are, also, some $51 billion of savings bonds outstanding, which are, in essence, demand obligations. These could cause *considerable* embarrassment to the Treasury if any *considerable* number of the holders should wish to redeem them and currently redemptions are exceeding purchases substantially.

There were $179.921 billion of marketable securities outstanding on Jan. 31, 1959, of which the *public* held $147.4 billion:

$62.0 billion of this debt matures within a 2-year period.
$17.2 billion in 2-3 years.
$23.2 billion in 3-5 years.
$17.2 billion in 5-10 years.
$27.8 billion over 10 years.

We find as our first conclusion that many uncertainties exist in the world, economic and political uncertainties—there is fear of war and there is fear of inflation. Nevertheless, it is evident that population will grow at an accelerated rate in the years ahead, that the country's needs will grow, and that there will be a tremendous demand for capital and credit. We find also that the Treasury and the Federal Reserve authorities are in a dilemma because of Treasury deficits on the one hand and Federal Reserve's desire to maintain stability in the purchasing power of the dollar on the other.

How Should Banks Invest?

How, then, should commercial banks invest their money? There is interest to be paid on savings and other time accounts. There are increasing overhead expenses to be met. Capital should be increased in many instances. Earnings must compete with industry's earnings. But security prices have been fluctuating widely. U. S. Government bond prices have not been stable. One can no longer say that the Government market has either depth, breadth or resiliency. At times the market has needed both Treasury and Federal Reserve help. At times the support seemed limited and perhaps confusing. Today bond yields look attractive and stock dividend yields look low by comparison.

What *should* one do? What *can* one do? One might conclude that now is the time to buy. If you have idle cash perhaps that is the answer. But *what* will you buy? U. S. Governments? Federal Agency issues? Tax-frees? Corporates? What maturities will you buy? Longs? Intermediates? Shorts? These questions cannot be answered directly. *Each institution must determine for itself* what to do based upon its own position. To determine that position, a number of fundamental factors must be considered:

What is the trend of demand and time deposits? Your bank and all banks?

Do they fluctuate seasonally?

What is the trend of loans? All loans? Yours and all banks?

Do you have *adequate* commer-

1 [As was the case.—Ed.]

cial loans, real estate loans or consumer credit loans?

How strong is your capital position? Your surplus; your reserves?

What is your tax situation? 52% or 30%?

Are you over or under-invested?

Do you have depreciation or appreciation?

Do you have *real* secondary reserves?

Do you depend upon investments for income, or do you have satisfactory income from other sources: loans, commissions, service charges, etc.?

Do competitive factors control your decisions or can you operate with some freedom in your communities?

Are loans and investments 50%-50% of earning assets; 60%-40%; 40%-60%; or 70%-30%?

In other words: Are risk assets high, low, or in between? Do you have satisfactory valuation reserves?

It can be seen from these questions that each institution is a unit unto itself. Therefore, each bank must adopt a program that will best serve the purposes and the objectives of that institution. If the policy is to be something of an investment trust, one program might be determined, *but* if it is intended to pursue the more normal functions of a commercial bank, quite a different approach is called for.

In every instance, naturally, one must have adequate cash or cash balances with which to operate. There *must* be a primary reserve. Then, every institution should have adequate secondary reserves. What are secondary reserves? A strict definition determines them as follows:

(1) Highest grade *short*-term securities.

(2) Readily convertible into cash *through sale*.

(3) Without risk of *material* loss.

In the Second Federal Reserve District, the examiners consider U. S. Governments out to two years as appropriate issues for secondary reserves. Quite obviously, purchases of such securities *now* would provide attractive yields and such holdings would satisfy the foregoing formula. Since wide price fluctuations have occurred *and will continue to occur*, even in short-term Governments, it is quite clear that it is important to have well spaced maturities *within* the two or three year area. During the first six months of 1958 Treasury Bill yields assuredly were unattractive. The short-term market was starved. Now, however, the Treasury is being forced to offer *very* attractive issues in the short-term area and a large volume of high yielding short-term issues are in the market—and more will be coming to it in the months ahead. These offerings should permit banks to build up holdings of secondary reserves as available new funds and maturities permit. I prefer short maturities now, but most institutions must have operating income and a position 100% in shorts may not prove entirely safe either.

Investment Portion in Tax-Free Issues

Some banks in the 52% income tax bracket might profitably hold some tax-free securities — again depending upon their overall positions. If the situation is a well balanced one between loans and investments, *eventually*, about 75% of the securities should be in 1-5 year Governments and the remainder could be placed in tax-free obligations running out to about 10 years. Thus, where the loan portfolio might run up to 60% of earning assets, Government holdings could be about 30%, and tax-free securities about 10%. So long as there would be a good diversification of AAA and AA active, full, faith and credit general market issues, I would not be unduly concerned whether the tax-frees were State, County or City obligations. I would not overlook, either, the possibility of acquiring some well regarded local issues where high yields might well prevail. *If* the institution is in the 52% income tax bracket, it would seem appropriate to place the *investment portion* of the portfolio in tax-free securities.

Where a bank is not in the 52% income tax bracket, and where the loan portfolio is negligible, consideration might well be given to corporation bonds or Federal Agency issues. Satisfactory returns can be obtained from a well diversified list of Railroad Equipment trust maturities but, generally speaking, corporate bonds do not enjoy the liquidity of U. S. Government obligations under normal circumstances. Many market factors play a part, to be sure, and the influence of the tax factor has a bearing upon market action. It is interesting to note that while many corporate bonds trade between a 4.25% basis, to as much as 5.00%, depending upon quality and maturity, Treasury $1\frac{1}{2}$s due 10/1/63 at 89 12/32 provide a 5.69% corporate equivalent tax return. Despite attractive yields on long-term corporate bonds, it would seem reasonable to limit investment in these issues to a portion of the time deposits of the institution and only as a partial substitute for mortgages.

Savings deposits might well be invested primarily in mortgages, again depending upon the tax situation. As of Sept. 24, 1958 all Reserve City Member banks showed only about 37.8% of savings deposits invested in mortgage loans, while Country Member banks showed 42.0%. Probably a ratio of about 60% in mortgages and/or longer term bonds is an appropriate limit for a commercial bank. These ratios, of course, are lower than those shown by mutual savings banks. N. Y. banks have used intermediate and longer dated tax-frees in place of mortgages but the amounts of savings deposits and tax-free securities are small compared to both total deposits and capital. Section 8-234 of the Code of Laws of South Carolina provides that no more than an amount equal to one-half of the capital stock of a banking corporation and one-half of its deposits shall be invested in mortgages on real estate at any one time. Some commercial banks complain about competition from Mutuals and Savings and Loan Associations.

Loans to Deposit Ratio

As of Jan. 31, 1959 in New York State, savings banks showed loans 75.3% of deposits; in Connecticut the ratio was 63.4%; and in Massachusetts it was 63.7%. In several states savings banks may go as high as 80% in mortgages, provided 10% of the loans are FHA's or VA's. Somewhat higher average ratios are shown by Savings and Loan Associations. Laws seem to be more and more liberal each year where mortgage lending is concerned. Perhaps they are too liberal for some, too strict for others.

Generally speaking, I would consider that short Federal Agency issues, short-term high grade municipal obligations, and high grade railway equipment trust obligations, as well as short-term Governments, are suitable for liquidity purposes. The employment of the different types of issues and maturities would depend upon the overall risk exposure, the tax situation of each institution and the nature of the liquidity requirements.

When loans decline, some institutions tend to extend maturities in investment issues in order to offset the income lost. During the first six months of 1958, the banks added substantially to their portfolios of intermediate dated issues, and especially to issues *beyond* the 5-year range. As a result of the change of Federal Reserve policy last year and because speculative holdings of both intermediate and longer dated bonds were dumped upon the market, prices of Government securities have declined very sharply. As a result, investment portfolios, especially those which have been extended, now show substantial depreciation.

Warns on Being "Locked-in"

In a few months, the normal seasonal commercial loan expansion will take place. Many banks may find themselves *still* locked-in in investment securities and perhaps unable to satisfy the potential loan demand comfortably. Banks, of course, can borrow from their correspondent banks, they can buy Federal funds, they can borrow at Federal Reserve Banks, or they may elect to sell securities at a loss. Obviously, prime loan customers must and will be served — thus the situation does not suggest strong buying power for investment securities.

However, *if* the institution is able to take care of the seasonal loan demand, and is concerned with the longer range expansion of the loan portfolio, a more constructive approach can be made. It seems reasonable to anticipate that the demand for credit will grow substantially in the 1960-65 period. It would seem appropriate, therefore, *to the extent that the money position permits*, purchase of maturities out through the early 1960s is warranted, but only on a scale down. Prices are low now but they could go lower. Nevertheless, prices are historically low and I don't believe we are going to embrace creeping inflation as a way of life.

Tax Considerations

To the extent that earnings, reserves and capital position permit, it seems desirable for a bank to take advantage of the differential between the 52% tax on operating earnings and the 25% capital gains tax. Accordingly, it seems appropriate to take profits in one year and to take losses in a different year.

If losses *must* be taken in the same year as profits, the losses must be taken *first* from the profits. Such an operation, of course, causes an adverse 27% profit differential. Many banks which have made 1958 a tax *profit* year, therefore, will prefer to make 1959 a tax *loss* year.

Valuation Reserve

A valuation reserve for securities, of course, is highly desirable for it serves a similiar purpose as does a reserve for bad debts on loans. Where profits on securities have been set aside in a reserve account, then such reserves are available to offset losses, if they should occur in the same or another year. If reserves are not available and losses are sustained, some other account, perhaps Undivided Profits or even Surplus, may have to be invaded if securities must be sold at a loss. If a reserve is available to provide for losses, management may effect some desirable tax switches which otherwise they may be loath to undertake. If the practice of setting up a reserve for securities is undertaken, there will perhaps be less of a temptation to utilize the profits realized for dividends, for building purposes, for modernization or for such other things as management might be tempted to undertake, such as provision for past service on new or revised pension programs.

A forecast of lower loans should not, in any case, modify the amount otherwise needed or desired for secondary reserves. Secondary reserves should be considered as the offset to the ebb and flow of the deposit balances, and not the loan fluctuations. As loans decline, the amount available for investment should be so utilized as to provide for the time when loans again will be increased. As a matter of fact, the amount might well be *added* to the secondary reserves, but secondary reserves certainly should not be decreased in anticipation of a loan decrease. What final conclusions can one draw?

Draws Final Conclusions

We are in a period of many uncertainties. The future is far from clear and it is more important than ever before that we operate our banking institutions wisely, conservatively yet constructively. We have a great responsibility to our own communities as well as to the credit system of the nation. If speculation runs rampant, it can do so *only* if unwarranted excess credit is provided. We then would have only ourselves to blame for what would be sure to follow! Boom and Bust!!

Capital and credit will be needed in large amounts for the legitimate growth which inevitably lies ahead. The banks have the opportunity *now* to place themselves in an impregnable position to supply the short-term credit needs which will arise in the 1960s. Let the capital market supply the long-term needs. Leave the inevitable fluctuations in bond prices to that market, *and do not extend debt maturities to the extent that they can be embarrassing later on*.

The Treasury has its own problems and is not going to solve yours. Federal Reserve policy will continue to be flexible and, at times, may operate to the temporary disadvantage of your investment portfolio. Investments, therefore, should be a means to an end, and not *usually* an end in themselves. Some years ago we called securities "Surplus Funds Investments." That is what they well may be in the future.

Loans could become a higher percentage of total earnings assets, so it behooves us to get our investment portfolios in order *now* so as to take full advantage of the dynamic period which lies ahead.

Chicago Analysts Elect New Officers

CHICAGO, Ill.—Neil E. Heikes, Manager of Pension Fund Investments of Commonwealth Edison Company, has been elected as President of The Investment Analysts Society of Chicago, succeeding Clarence E. Torrey, Jr., of A. G. Becker & Co., Incorporated.

Other officers elected were Hartmen L. Butler, Jr., of Duff, Anderson & Clark, as Vice-President; Harold M. Finley of Chicago Title & Trust Co., as Secretary; and Fred J. Young of Harris Trust & Savings Bank, as Treasurer.

Elected as members of the Board of Governors for a three-year term were William B. Cudahy of American National Bank & Trust Company; Robert A. Sjostrom of Shearson, Hammill & Co., and Clarence E. Torrey, Jr., of A. G. Becker & Co.

New Sincere Branch

WINTER HAVEN, Fla.—Sincere & Co. has opened a branch office at 50 Second St., N. W. under the direction of Brook H. Rollins.

R. H. Messerman Opens

ATLANTIC CITY, N. J.—Robert H. Messerman is engaging in a securities business from offices at 52 North Windsor Avenue.

Howard D. Ginder

Howard David Ginder passed away May 27 at the age of 61. Mr. Ginder was Assistant Treasurer of A. M. Kidder & Co., Inc.

Winners of 1959 Loeb Awards Announced

Nate White of the "Christian Science Monitor," and Ernest Havemann of "Life" magazine, received the 1959 Loeb Awards for business and financial journalism at a luncheon held June 4 in New York City. Dr. Raymond J. Saulnier, chairman of the President's Council of Economic Advisors, was the principal speaker at the event.

A check for one thousand dollars and a bronze plaque were presented to each winner by Laurence J. Ackerman, chairman of The Loeb Awards Advisory Board, on behalf of the University of Connecticut, administrators of the awards. Mr. Ackerman is dean of the University's School of Business Administration.

Bronze plaques were also presented to four newspaper and magazines writers for Special Achievement. They are:

Donald I. Rogers of the New York "Herald Tribune"; Jay Edgerton of the "Minneapolis Star"; Murray J. Rossant of "Business Week", and Alexander O. Stanley of "Dun's Review and Modern Industry."

The Loeb Awards were created in January, 1957, by Gerald M. Loeb, Partner in E. F. Hutton & Company, with a grant from the Sidney S. Loeb Memorial Foundation to the University of Connecticut. The Foundation was established by Mr. Loeb in memory of his brother, who was a newspaperman in San Francisco and later with the King Features Syndicate.

This recognition of outstanding journalistic achievement that contributes to a better public understanding of the United States free enterprise economy is the only tribute of its type paid to financial and business writers.

In addition to Dean Ackerman, other members of the Loeb Awards Advisory Board are:

Governor Abraham A. Ribicoff, of Connecticut, Honorary Chairman; Frank H. Bartholomew, President, United Press International; Frank M. Folsom, Chairman, Executive Committee of the Board of Directors, Radio Corporation of America; Robert G. Shortal, 1958 President, New York Financial Writers' Association; Herbert E. Dougall, Professor of Finance, Stanford University Graduate School of Business and Mr. Loeb.

Wool Assoc. Elects

W. Brewster Southworth of Nichols & Co., Boston, Mass., was elected President of the Wool Associates of the New York Cotton Exchange, Inc. at the annual election. Elected 1st Vice-President is Irving Weis of Irving Weis & Co., New York City. Re-elected 2nd Vice-President is Elliot W. Brown of the National Wool Marketing Corp., Boston, Mass. Re-elected Treasurer is Bruce S. Lachlan, Jr., of New York City.

Those elected to the Board of Governors are: Harry B. Anderson of Merrill Lynch, Pierce, Fenner & Smith, Incorporated, New York City; James J. Caires, Boston; Marshall N. Cohan of Cohan and Company, Boston; Georges A. Florin of Prouvost Lefebvre of Rhode Island Inc., Boston; E. Bradford Keith of The Top Company, Inc., Boston; W. Gordon McCabe, Jr. of J. P. Stevens & Co., Inc., Greenville, S. C.; William Reid of Bache & Co., New York City; Charles R. Rudd of Marriner & Co., Inc., Boston; George M. Thurmond of Thurmond & Co., Inc., Boston; William G. Wigton of Orvis Brothers & Co., New York City and John M. Williams of Royce & Co., New York City.

With the exception of Messrs. Cohan and Thurmond, all of the others were members of the retiring board who were re-elected.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

Such is the hardening of interest rates that one bond man recently predicted a 6% return on good grade corporates, and this by the end of 1959. Maybe this will come about; maybe it will not, but certainly the trend is strongly in that direction.

The newspapers have recently been full of reports of higher rates and of news that will bring about higher rates. United States Government bonds have slowly eroded in price, and today the 91-day treasury bills are quoted just under 4.00%. When was the last time we saw that?

A short while back, several large New York banks announced an increase in the interest rate on prime name loans, names that, by their standing are entitled to the best credit rating and hence the lowest interest rates on their borrowings. Then, a few days later the several Federal Reserve district banks started to increase the discount rate. The lead by several eastern banks was followed by several in the interior. The increase in the prime name loaning rate was from 4% to 4½%; that in the rediscount rate was from 3% to 3½%. Then along came the New York State Superintendent of Banks with the announcement that the Banking Department had no objection to the savings banks publicizing an annual rate increase from 3¼% to 3½%.

Finally, it was announced in Washington that President Eisenhower would ask Congress to raise both the debt limit and the maximum rate of interest that may be paid on U. S. bonds. It is 4¼% now.

Of course, the soft money advocates in Congress immediately started to "sound off." We may wonder who, in their opinion, will buy government bonds if their rates are not made competitive. Actually, historically, the rate is not what may fairly be called high. The business world has become so inured to the low rates forced on the economy in the New Deal—Fair Deal days that any rate that can be considered reasonably fair in terms of interest rates before the currency jugglers, causes the soft money boys to raise their hands in agony. Not to be left out of the picture is the demand for loan accommodation by the home building people. Their share of the demands for funds that cause the economy's lenders to operate under pressure should not be overlooked, for it is a potent factor, too.

With the banks well loaned up, and rates headed as they are, the commercial banks find themselves in a good position earnings-wise. Bank officials who are consulted on the subject of second quarter earnings have a good measure of cheer in their voices; and the probabilities are that the quarter will be a good one. Of course, seasonally it usually is a favorable one, as many banks credit trust fees, commissions, etc., in the second and fourth quarters. What counts greatly with bank earnings is a high volume of loans.

Under favorable general economic conditions banks tend to shift out of bonds—governments, municipals, states and corporates—into loans; and as loans are in a large measure more profitable than securities investments, the banks are only too happy to have more loans on their books. So it appears quite certain that the earnings trend will be upward. And if, as so many expect, interest rates continue to climb, the banks should have a very profitable year.

Probably this is why prices of bank shares have been doing so well of late. Of course, in one case, the New York Trust-Chemical Corn Exchange merger proposal, there is a special reason for the pronounced price moves; but excluding that case, and possibly the rumored Bankers Trust dividend increase, there seems to be only one reason for the higher price levels, operating earnings are on the upgrade.

On the subject of dividends, this space feels that further into this year there will be several increases. The present ratio of cash dividends to operating earnings is approximately 60%, a figure that justifies an increase here and there through the list.

CORRECTION—In last week's column, American Insurance's 1958 dividend should have been \$1.30, not \$1.63, and the ratio of dividend payment to investment income was 65%, not 82%—Editor.

Happy Birthday to Lewis "Hank" Serlen

Lewis "Hank" Serlen of Josephthal & Co., 120 Broadway, New York City on June 17 is celebrat-

ing his 51st birthday. This year also marks his 26th with the firm.

Golf is his prime hobby, with bowling a close second. A former officer of the Security Traders Association of New York, he is a member of the nominating committee and still very active in the organization.

Continued from page 13

Inter-American Development Bank Is Essential to Western Hemisphere

rency actually needed to discharge the Bank's obligations.

The ordinary operations of the Bank will be financed from the capital subscriptions of the members, from borrowings, and from reinvested earnings. From these resources the Bank will make loans, repayable in the currency lent on normal terms for international lending. Loans may be made to the governments of member countries, to their political subdivisions, or to private enterprises. In the case of loans to private entities, the Bank may require, as a condition of the loan, a guarantee by the Government or a public financial institution of the country in which the project is located. While the Bank may not finance a private project to which the member country objects, it is **not required** to obtain a government guarantee. The Bank may also make loans to several countries in one transaction where these loans are part of joint or regional projects.

As in the case of the International Bank for Reconstruction and Development, the Inter-American Development Bank will charge a commission of 1% on all loans, which it will invest in liquid securities to meet any liabilities of the Bank on its borrowings or its guarantees.

Repayment in Currencies Lent

Since the ordinary loans of the Bank must be repaid in the currency lent, the resources of the Bank will revolve. As portions of principal and interest are paid in dollars or other currency that has been used to provide foreign exchange, the Bank will continue to have usable currencies available for additional loans.

The Bank agreement provides that the capital may be increased when additional funds are required for its operations. It is anticipated that some time after Sept. 30, 1962, when the payments on the paid-in capital have been completed, the Bank will wish to increase its calable capital by an additional \$500 million. This increase in capital will require a three-fourths affirmative vote in the Board of Governors. This arrangement was made in recognition of the conviction of the Latin American representatives that provision for an increase in the capital of the Bank should be made at an early date. Since this increase would be in the form of callable capital and not paid-in capital, it would result in the United States assuming an additional contingent liability of \$200 million.

As the President pointed out in his message, the U. S. representatives agreed that such an increase would be desirable, but believed that it would be wise to have an initial period of experience with the Bank's operations before the additional capital is subscribed. The President said, "Accordingly, if the Bank's operations are established on an effective basis in accordance with expectations, the United States will in good faith be committed to vote for the increase and subscribe to its share of the increased capital." The bill before you, makes no provison for this increase in the subscription of the United States, and specifically requires the authorization of law before the United States can subscribe to this increase. I call this provision to the attention of the Congress as an indication of the announced intentions of the United States. While a United States vote for an increase in the capital can be given only with Congressional authorization, it should be understood that this increase may be requested after 1962 if the Bank's operations prove to be as successful and as valuable as we expect them to be.

Aside from this \$500 million increase in the Bank's callable capital, which may be anticipated after several years, the agreement provides that the capital of the Bank can be increased at any time by a vote of two-thirds of the Governors with at least three-fourths of the total voting power. In brief, the capital of the Bank cannot be increased unless the United States as well as the other countries agree to it and in accordance with the bill before you, this increase in capital could not be effected without special authorization of law.

Fund for Special Operations

I turn now to the "Fund for Special Operations" to which I referred earlier. The loans of the "Fund" are to be made on terms and conditions appropriate for dealing with special circumstances arising in specific countries or with respect to specific projects. It must be recognized that some of the Latin American countries from time to time may not be in a position to service additional hard loans repayable entirely in dollars or other currencies which can be used to finance imports of capital equipment. There are also some projects which may be important for a general program of economic development in a country, which will contribute to an increase in its productive capacity and ultimately to its ability to service foreign debt, but which will not directly and immediately increase its debt servicing capacity. Some countries may find themselves in a difficult foreign exchange situation which will reduce, at least temporarily, their ability to repay "hard" loans.

For these reasons, the "Fund for Special Operations" is intended to make loans which may be made repayable, partly or wholly, in the currency of the borrowing country. Payment of interest and amortization of these loans, to the extent that they are repayable in local currencies, will not impose a direct burden on the balances of payments of the country in which the loans are made. The "Fund" is intended for this type of extraordinary assistance in development programs, but it is to be small in comparison with the ordinary operations of the Bank. The initial resources of the "Fund for Special Operations" are to be the equivalent of \$150 million, of which the United States' share will be \$100 million. Of the United States' contribution, \$50 million is payable in the first instalment and the rest at a later date, in one or more instalments. Because the United States is providing such a large portion of the resources, its affirmative vote will be necessary for a loan from these resources, since a two-thirds vote is required. In accepting the responsibility of contributing to the "Fund for Special Operations," the Latin American countries have given an effective demonstration of their willingness to help each other in the field of economic development. In the past, loans of this special type have been made only by the United States. The precedent of cooperation by other countries in this area is one that we consider important. We feel that the "Fund" will be a very useful adjunct to the operations of the Bank to make it an instrument fashioned to be of assistance to all Latin American countries.

As I have mentioned previously, one-half of each member's subscription to the ordinary capital, and one half of its quota in the "Fund" are to be paid in gold or dollars and one-half in the national currency of the member. The gold and dollar payments in both departments are "untied" and may be used by borrowers for payments anywhere. The part of the member's subscription paid in its own currency may be used without restriction for payments of goods and services produced in its territories. These currencies, therefore, may be used to pay for exports of materials needed in connection with loans by the Bank. National currencies may also be used for payments in other countries, unless the member specifically restricts the currency to payments in its own territory. Fifty percent of the United States' subscription is considered national currency in this sense, and may be used under the same terms as the currencies of the other members.

The Bank will use its foreign exchange resources ordinarily only to finance foreign exchange costs of a loan project. It may, however, lend a member country its own local currency paid in on subscription to finance local currency costs, and only in special cases the Bank may provide foreign exchange to cover a reasonable portion of local currency costs, particularly if the result of a project is to increase the borrowing country's needs for foreign exchange.

Contrast With IBRD

It might be useful to indicate that there are similarities and differences between the Inter-American Development Bank and the International Bank. In the Inter-American Bank a larger portion of its total resources comes from paid-in capital and less from borrowed capital than in the International Bank. Moreover, in the Inter-American Bank a larger portion of the paid-in capital is in the form of gold or dollars, so that it will encounter fewer difficulties in utilizing the capital subscriptions of its members than the International Bank has had.

Like the International Bank, this institution will make ordinary loans repayable in the currency lent, but unlike the International Bank it has a supplementary "Fund for Special Operations," which will enable it to aid economic development in all Latin American countries. In view of the special circumstances affecting particular countries or projects, the loans from the "Fund" may be made repayable partially or wholly in the borrower's currency.

The activites and accounts of this "Fund" however, may not be mingled with the operations of its ordinary department, so that the security behind the Bank's borrowings will not be diluted through the less-liquid loans of the "Fund."

The organization of the Inter-American Bank in a general way is similar to that of the International Bank. The final authority is a Board of Governors, meeting annually, with each country appointing a Governor. Voting in the Board of Governors will be in proportion to stockholding, except that each country has 135 additional "membership" votes. As in the case of the International Bank, this provision gives a somewhat larger voice to the smaller countries.

As in the International Bank, the active operations of the Bank will be controlled by a Board of Executive Directors, to which the Governors may delegate all but a few reserved powers. The Board of Executive Directors will consist of seven members, one appointed by the United States, and the six others elected by a rather complex voting scheme, which will give representation to both the large and the small countries and to the various geographical

areas of Latin America. Voting in the Executive Board will be proportional to the votes of the countries which the Directors represent. Except for the United States, the Executive Directors and their Alternates must be of different nationalities so that at any one time 12 of the Latin American countries will have one of their nationals following the day-by-day operations of the Bank.

The Bank's staff will be headed by a President, who will be elected by the Board of Governors. There is also to be an Executive Vice-President, appointed by the Board of Executive Directors, on the President's recommendation. The Board of Executive Directors is to appoint a Vice-President in Charge of the "Fund for Special Operations" and may appoint additional Vice-Presidents.

The Inter-American Bank will have full juridical personality and will be given certain exemptions in matters of legal process and taxation so as to perform its functions effectively as an international financial institution. The proposed legislation includes a section to give effect to these provisons.

Describes Five Basic Provisions

The bill, which the Committee has under consideration, contains five basic provisions. (1) It empowers the President to accept membership in the Inter-American Development Bank for the United States in accordance with the Agreement. (2) It authorizes funds for paying our subscription.

(3) It makes provision for the marketing of the Bank's securities in the United States. (4) The bill provides for giving the Bank the required immunities under American law and establishes the procedure for dealing with such legal disputes as might arise in courts in the United States. (5) Finally, it provides for coordination of the activities of the United States Governor and Executive Director of the Inter-American Bank by the National Advisory Council in the same way as is now provided by law for the United States representatives on the International Bank and the International Monetary Fund.

The bill authorizes the appropriation of $350 million to the President to pay for our capital stock in the Bank, and also provides an authorization of $100 million without fiscal year limitation for payment of the United States subscription to the "Fund for Special Operations." On or after the date on which this government accepts the agreement (but no later than Sept. 30, 1960), the United States will be required to pay in $30 million to the Bank's capital for ordinary operations and $50 million to the "Fund." An additional appropriation of $60 million will be required when called by the Bank but not before Sept. 30, 1961, to make a second payment to the ordinary capital subscription; the third payment will not become due before Sept. 30, 1962 when the third payment of $60 million to the paid-in capital is due. As I pointed out earlier, the Bank will not be able to call the second installment of our subscription until 90% of the total subscriptions of the membership are paid in. Similarly it will not be able to call the third installment until 90% of the second has been paid, and it will also not be able to call the second $50 million of our payment to the "Fund" until at least a year after the Bank has begun operations. In this way, $80 million will be all that will have to be paid to the Inter-American Bank before September 30, 1960.

National Advisory Council's Endorsement

The National Advisory Council on International Monetary and Financial Problems strongly recommends that the United States promptly accept membership in the Inter-American Development Bank in accordance with the agreement signed here in Washington on April 8. We believe that this Bank will be of great value to the countries in this hemisphere in expanding their production and developing their economies. We believe that the United States should act promptly and show the other American Republics that we have their interest in mind and that we are willing and anxious to help them to improve their economic life.

Our relationship with Latin America has always been close, as evidenced by our membership in the Organization of American states and other regional institutions. We are joined with these countries in mutual assistance and defense pacts. We have consistently aided each other in times of stress and strain. The establishment of the Inter-American Development Bank will serve as a further link in these close political and military associations, and will strengthen the economic ties which are the essential ingredient of a stable and strong and unified Western Hemisphere.

R. G. O'Connor Opens

(Special to The Financial Chronicle)

BURBANK, Calif. — Russell G. O'Connor is engaging in a securities business from offices at 213 North Naomi Street. Mr. O'Connor was formerly with Oscar G. Werner & Co. and Shearson, Hammill & Co.

Jack Perlman Opens

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Jack Perlman is conducting a securities business from offices at 187 North Canon Drive.

Opens Inv. Office

Mrs. Pauline W. Ross is engaging in a securities business from offices at 3070 Hull Avenue, New York City.

Partner in Godnick Son

John W. Platt has become a partner in Godnick & Son, 30 Broad Street, New York City.

Thos. Miller Retires After 60 Yrs. in Street

CHICAGO, Ill.—Just before the turn of the century, Thomas Miller, an 18-year-old junior employee of a Chicago Salt Company, decided to take a job as a clerk in a LaSalle Street (Chicago) brokerage firm. He made the move despite warnings from friends that his future would be uncertain . . . that "everyone and his uncle is in the brokerage business."

On June 10, on his 78th birthday, the same Thomas Miller voluntarily wound up one of the longest careers in the history of the Chicago financial community . . . a 60-year span during which he rose from a Grain Clerk to partnerships of some fine old Chicago investment houses.

Mr. Miller, who has been an account executive with Merrill Lynch, Pierce, Fenner & Smith, Inc. since 1945, started with Harris, Winthrop & Co. in 1899. Within about 20 years he was a partner of the firm and subsequently served as a partner of F. B. Keech & Co. and Winthrop Mitchell & Co. During most of this time, he was also a member of the Chicago Board of Trade (1904-1951) and spent many years as a floor broker in the wheat pit.

Mr. Miller was honored at a combination Farewell-Birthday Luncheon at the Chicago Club hosted by associates and officers of Merrill Lynch headed by Homer P. Hargrave, Vice-President.

Hoppin Bros. & Co. to Admit J. W. Rumbough, Jr.

Hoppin Bros. & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on July 1 will admit Joseph W. Rumbough, Jr., to partnership.

J. G. Bates to Be Whitcomb Co. Partner

J. Grenville Bates on June 11 will become a partner in Whitcomb & Co., 41 East 42nd Street, New York City, members of the New York Stock Exchange.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The rising level of interest rates is expected to continue for quite a period of time because the demand for loanable funds from corporations, state and local governments, consumers, for housing and the Federal Government is going to add up to a sizable amount. The fact that the Federal Government can no longer borrow for long-term purposes, that is offer a bond with a maturity of more than five years at a rate of 4¼%, resulted in President Eisenhower asking the Congress to eliminate the interest rate limit, so that the Treasury will be in a position to meet the existing capital market competition. Savings bond rate ceilings would also be done away with.

Short-term rates have advanced because of the upping of the discount rate and the prime bank rate. Nonetheless, indications are that sizable amounts of money are around that will be put to work in the most liquid Treasury issues.

Market Trying to Adjust to New Developments

The money and capital markets are in the process of trying to find out what to do, and where to go, in face of the interest rate tightening operations of the monetary authorities and the debt management program of the Treasury. The increase in the prime bank rate and the discount rate, which pushed up the whole level of loaning rates, had been overshadowed by reports that the President in the very near future would ask the Congress for an increase in the rate that would be put on Government obligations with a maturity of more than five years. The present rate limit of 4¼% for Government bonds was set in 1918. There is no interest rate ceiling on Treasury issues with a maturity of five years or less.

Debt Limit Must Be Raised

There will also be an increase in the Government debt limit since the Treasury cannot continue to operate under the present temporary one of $288 billion which, under present law, would have to revert to the $283 billion permanent limit by the end of the current fiscal year. It had been evident for some time that the Treasury would not only have to have more leeway as far as the debt limit was concerned, but in addition it was known that there would have to be an increase in the long-term statutory interest rate if it was to sell bonds in order to extend the maturity of the Federal debt. The Treasury in order to carry out some semblance of a debt management policy should be in a position to sell long-term bonds from time to time, and this means that the going competitive conditions in the capital market will have to be met. The non-Federal bonds, such as corporates and tax-exempts, are at levels which make them more attractive to investors than are Government bonds.

Also, it should be borne in mind that the composition which Treasury obligations have to meet comes in no small way from the Government itself, since the yield on FHA and VA mortgages, (quaranteed by the Government) is much better than the return which is available in straight Treasury securities.

Monetary Policy Continues Stringent

The demand for funds is not likely to diminish a great deal further, even though the pick-up in loans is not expected to be too noticeable for the next few weeks. However, it is evident that captial expenditures are on the increase which means that the tightness in the money market is likely to become more pronounced with the passing of time. The monetary authorities in no uncertain way are keeping the pressure on the cost of money, since the latest available figure showed that negative reserve balances amounted to $523 million which is back to the high levels that prevailed in October of 1957. It is this process of keeping the reins tight on the money and capital markets that will be felt in the form of higher interest rates.

Inflation Psychology Diminishing

The inflation psychology is still very much with us, although it does not appear to be as strong as it was not so long ago. It is believed by not a few money market specialists that the recent action of the monetary authorities and the Government in moving towards higher interest rates and more restricted credit conditions will do much to retard the forces of inflation. A balance in the budget will mean less Government borrowing, and most likely some extension of the debt even if it has to be done at higher rates.

Survey Reveals 37% Gain in Capital Spending

Every industry, particularly steel, approved decided increases for expansion and modernization with the exception of chemicals. These findings were obtained by *Newsweek* in its latest survey for NICB and they show that U. S. industry appropriated $2.6 billion for first quarter of this year, or 37% more than $1.9 billion in comparable period in 1958.

A ringing vote of confidence by U. S. industry is evidenced in the latest "Newsweek" Quarterly Survey of Capital Appropriations, conducted by the National Industrial Conference Board. Figures for the first quarter of 1959 show the nation's leading manufacturers approved $2.6 billion in new funds for expansion and modernization, a 37% increase over 1958's $1.9 billion.

"I hesitate to use the word 'bullish,'" said White House economic advisor Raymond Saulnier when apprized of these findings, "But there is no question about it, this is a bullish factor.

"First quarter appropriations for 1959 soared 76% over the closing three months of last year, the biggest increase ever recorded in Newsweek's 12-report series. The season helped — petroleum companies traditionally do their appropriating in the first quarter. But even when the figures for oil are stripped out, the quarter-to-quarter jump, a mighty 44%, stands as the biggest in three years."

Steel's Plans Are Spectacular

"Except for chemicals, every industry covered by the survey registered gains. Confidence in the steel industry bordered on the spectacular, even though the sword of a Steelworkers' strike hung menacingly above its plants. First-quarter approvals moved up to $575 million, an almost unbelievable 339% increase over the $131 billion reported in 1958. Steel, in fact, accounted for almost two-thirds of the $669 million increase in the durables field. . . . Automakers and other manufacturers of transportation equipment showed a 93% year-to-year hike. . . . Overall, durable goods producers rang up a 127% year-to year gain, a heartening upturn considering that durables traditionally set the industrial pace—first to falter when the economy weakens, first to recover when it reverses its field. . . .

"Back of the bounce in new appropriations was the new look on the balance sheets," Newsweek says. "Manufacturers earned 22% more in the fourth 1958 quarter than they had in the third, and 14% more than the year before. . . . Moreover, manufacturers started the year with more in the till.

"Certainly some of the signs that were pointing the way in early 1955 — when the last big surge in capital appropriations began—were in evidence again," Newsweek says.

Capital Research Co. Elects Three Officers

LOS ANGELES, Calif. — Miss Marjorie Fisher has been elected a Vice-President of Capital Research Company, it has been announced by Jonathan B. Lovelace, Chairman of the Board.

Miss Fisher was formerly corporate secretary of the company and is a member of the board of directors. She has been associated with the firm in the field of investment analysis and financial research since 1951. Prior to joining Capital Research Company, Miss Fisher was with Babson's Reports, and with Dun & Bradstreet.

Mrs. Florence Jarvis was elected corporate secretary of the company. Miss Hazel E. Lazell was elected assistant secretary of the company.

Capital Research Company is the financial research affiliate of Capital Research and Management Company of Los Angeles, investment adviser to four nationally distributed open-end investment companies, American Mutual Fund, The Investment Company of America, International Resources Fund, and Washington Mutual Investors Fund.

Freeman Appointed

MORRISTOWN, N. J.—Pierson A. Freeman has been appointed Assistant Manager of the local office of Reynolds & Co., Park Square Building.

To Be J. A. Zock Co.

On June 1 Joseph A. Zock, member of the New York Stock Exchange, and S. M. Zock formed a new partnership, J. A. Zock & Co., with offices at 20 Exchange Place. Mr. Zock has been active as an individual floor broker.

Continued from page 3

Blueprint for Economic Growth And a Public-Private Policy Guide

long period of time, spending to all intents and purposes the full extent of our industrial history, our Nation has, on the average, doubled its output of goods and services every 19 years.

It is understandable, I think, that our nation's rate of growth was somewhat higher in the early years of our industrial development than it has been more recently. Still, recent rates of economic growth have been substantial. Compared to the average annual increase of 3.7% for the last 120 years, economic expansion in the past 40 years has proceeded at the average rate of 3%, making possible a doubling of our national output every 23 years.

To interpret the meaning of these growth figures for the welfare of our citizens, we must first reduce them to a per capita basis. Doing so, we find that output per capita has also increased significantly, providing the basis for steady improvement in our levels of living. National output per capita has increased at an average annual rate of 1.6% during the last 120 years. And it is an interesting fact that, unlike the aggregate of GNP, the average annual increase in per capita Gross National Product has not slowed down in recent years.

So far, I have referred to economic growth without reference to the composition of Gross National Product. But I would caution against using aggregate GNP figures as the only measure of economic growth, and particularly against using them as a measure of economic improvement.

Aggregate GNP's Limitations

The figures have many limitations for these purposes. For one thing, they take no account of the increase in leisure which has been achieved in our economy, as our simple material needs have become more fully satisfied. Second, although the most meaningful measure of an economy's performance in the long run is what it produces for the satisfaction of consumer wants, Gross National Product contains much else. If we judge our economic performance by reference to the output of consumable goods alone, we find that it has been very good, indeed; and of late it has been remarkably good in this respect. In the past 40 years the output of personal consumption goods has been increasing, on the average, at the rate of about 3.2% a year. At this rate it requires only 22 years to double the output of things on which the welfare of people immediately and directly depends. And in the years 1952-57, when Gross National Product as a whole increased at the average annual rate of 2.8%, the output of personal consumption goods increased at a significantly higher rate, 3.8% a year.

Clearly, we are justified in taking satisfaction in this record of economic growth and improvement. We must not, however, fall into the error of thinking that the growth of our economy, and the improvement of our economic welfare as individuals and as a nation, are automatically assured and that we can enjoy their fruits as a kind of providential legacy. On the contrary, we know that economic advances depend on enterprise and work, on the improvement of skills, and on increases in the availability and quality of the tools that make labor more productive. And behind these few factors stand very many others that contribute to the growth of our economy; indeed, we could never make a fully exhaustive inventory of the influences that are pertinent to economic growth in a free society. Nor can we express every relevant factor in numerical terms. The spirit of enterprise, for example, is vital to the growth and improvement of our economy but, like the driving forces of life itself, this great power defies numerical description.

Defines Employment and Productivity

However, it is convenient to summarize and group all pertinent factors affecting growth as influences on two key economic variables: employment and productivity. In this connection, the term employment embraces both the number of persons employed and the average length of the workweek, and the term productivity refers to output per man-hour of labor employed.

The factors that lie behind increases in employment are reasonably familiar. They have to do with changes in the size and composition of our population, with the independently arrived at decisions of millions of people as to whether or not they wish to participate in the labor force, and with the success of the private economy in supplying job opportunities.

On the other hand, the forces that lie behind increases in productivity are much more complex and, I fear, less well understood. What we call "productivity" actually summarizes the action of non-labor factors as well as the direct efforts of labor itself. As an element in economic growth, productivity is dependent on the state of the productive arts or technology, as we commonly call it; on the skills of the labor force; on the vigor of enterpreneurship; on the qaulity of business organization and management; on the savings and investment which provide the tools and equipment that make the individual worker more productive; on our free competitive institutions; and on those actions and policies of government that affect our human and material resources.

It is not possible to assign degrees of importance to the various elements in economic growth. Indeed, it is even dificult to make satisfactory measures of the increases over the years in the use of labor and physical capital in our productive process. We do know, however, that in recent years the rate of increase in the use of physical capital has been more rapid than the increase in the use of labor. It has recently been estimated that since the end of World War I, physical capital in our economy has increased more than twice as rapidly as employment. In view of this very rapid increase in the use of tools and other physical capital in our economy, it is not surprising that about two-thirds of the increase in the nation's output of goods and services in the past seven decades has been associated with improvements in output per man-hour. Of course, factors in addition to capital, some of which have already been mentioned, have also contributed to this result.

So much for past performance and the factors explaining it. What can we say about the prospects for economic growth in the decade ahead?

We must, of course, approach a question of this character with caution. Forecasting is bound to remain a hazardous art in a free society. We know perfectly well that in such a society, where people determine their careers and spend most of their money incomes according to their own judgment and tastes, growth cannot proceeds at a uniform rate. Setbacks must be expected occasionally, if not from the vagaries of consumer behavior, then from the fact that businessmen will from time to time misjudge the current market or the outlook for markets in the future. From a practical standpoint, our national ambition for economic growth might be stated as follows: To achieve the highest average annual rate compatible with the maintenance of our liberties and traditions, with the balanced development of our economy, and with the containment of economic fluctuations within a tolerably narrow range.

Within these limitations, what rate of growth could we reasonably expect to achieve in the next decade?

Predicts $700 Billion GNP in 1969

Our potential for growth in these years will be greatly enhanced by a rapid increase in the size of our adult population and, hence, in the size of our labor force. Conservative estimates place the increase in labor force by 1969 to about 15 million over the present total. If we successfully meet the challenge of providing the needed job opportunities, we would have a civilian employment of nearly 80 million persons at that time. And, if gross national product per employed worker increases at about the rate achieved in the past 20 years, our total output of goods and services in 1969 would be very close to $700 billion, measured in today's prices. I should call attention to the fact that such an expansion of the nation's output, due in large part to a great increase in our adult population, means an average annual increase in gross national product of 4% a year, one-third higher than the 3% rate achieved since the end of World War I.

The achievement of this 4% rate of growth would represent a very significant accomplishment in that if implies creating new jobs in the next decade at a rate three times as fast as the rate required in recent years. It also implies that this great increase in job opportunities would occur without impairing the rate of advance in productivity. Growth at a still more rapid rate would pose a still greater challenge, in particular to our ability to improve our productivity performance.

What must we do to realize the growth potential that lies within our reach?

There is, of course, no single measure or policy that will assure success. Government has a role to play, at the State and local as well as at the Federal level. But in a free economy, that role is necessarily a limited one. Much depends also on the actions and policies of private individuals and groups. One cannot give a detailed blueprint of public and private actions that would be certain to work. But one requirement is of outstanding importance, namely, the maintenance of a reasonably stable price level. This means, of course, that some prices would go down as others go up, while on balance the average remains fairly stable.

Requires Stable Price Level

Stable prices are needed in our economy not for esthetic reasons but for very practical, functional reasons. They benefit not just one or another group in our society, but the public at large. They provide the best framework for achieving steady and balanced economic growth. They provide the most favorable circumstances for holding economic fluctuations to a practical minimum. And they offer a protection against steps that would impair the operation of our free competitive institutions and, in doing so, impair the sources of private initiative from which we draw strength.

Furthermore, a reasonably stable price level provides incentives to thrift, and to the channeling of savings into productive investment rather than into the speculative bidding-up of the prices of existing assets. Expanded savings and investment are required adequately to supply with tools the large numbers of workers who, as we have seen, will enter our labor force in the next decade. They are also needed to maintain, and even more so to increase, the rate of advance in national productivity.

Rebuts Creeping Inflation Thesis

If there has ever been any misunderstanding as to the importance of a reasonably stable price level for the achievement of steady economic growth, should not that misunderstanding be thoroughly dissipated by what we see today? Who could believe that our chances of achieving stable economic growth in the months and years immediately ahead would be better if people generally resign themselves to the expectation that prices will creep continuously upward? Such an expectation would lead to even more rapid increases in prices than initially assumed, and would develop imbalances in our economy which, while they might at first appear to be a welcome acceleration of growth, could only find correction in a severe economic reaction. Happily, prices at the consumer level have been fairly stable for over a year. But there are severe tests ahead, and we cannot afford to be complacent about our ability to meet them.

Fortunately, the requirements for achieving reasonable price stability are no mystery. The Federal Government can make important contributions in a number of fields. Its monetary and credit policies must be geared to the growth needs of the economy, but should not go beyond these needs to the extent that price increases are encouraged. Its policies in managing the large outstanding Federal debt must reinforce monetary and credit policies. And it must administer numerous programs that exert more or less direct effects on costs and prices in ways that minimize inflationary hazards.

Government Must Set Example

But is it not clear that the Federal Government's special contribution today to the prevention of inflationary developments is to keep its own financial house in order? In an economy growing as ours is today, private demands for capital to expand productive facilities and to increase consumption are rising. In these circumstances, government would make its most favorable contribution to steady economic growth by achieving some excess of receipts over expenditures. To strive for such an excess is the right fiscal policy for a period such as lies ahead. On the basis of such a budgetary outcome, prudent decisions could be made as to how best to utilize the fiscal benefits of economic growth in ways that sustain and reinforce that growth. The range of opportunities would include constructive, incentive-increasing tax reform and reduction and needed retirement of Federal debt obligations.

The private sector of our economy can make a signal contribution to the maintenance of price stability and thus to economic growth in the decisions it makes on sharing the rewards of economic activity. In the past, our consumer-oriented society has provided wages that spelled widening markets and rising standards of well-being. It has also provided returns to capital that supplied both an incentive and a means for creating new job opportunities and for raising productivity. But the record would have been even better if we could have succeeded in holding prices stable. Clearly, we should strive for private policies affecting the distribution of economic gains which, by helping to maintain over-all cost and price stability, will contribute to vigorous and orderly economic growth.

Although no single, definitive blueprint for achieving the desired future rates of growth can be supplied, success obviously depends on our reaching proper solutions to these broad problems of public and private policy. There can be no guarantee that such solutions will be found, but we are encouraged by the record of economic growth and improvement already achieved to believe that they can be found and that we can thereby better the performance of the past. To the extent that we enhance public understanding of the problems needing solution, and enlist broader support for constructive approaches to them, we can properly have confidence in our ability to meet the economic challenges that confront us and to realize most fully the great potential for growth that lies within our reach.

J. L. Morgan Pres. Of TCA Associates

ST. LOUIS, Mo.—J. L. (Si) Morgan has been elected President of TCA Associates Inc., 408 Olive Street. Mr. Morgan, who began his career in 1951 as Texas Division Manager for King Merritt & Company of New York, was Vice-President and Director of Sales for Slayton & Co. from 1953 until its recent absorption into Townsend Corporation of America and its redesignation as TCA Associates. The announcement was made by Morris M. Townsend, President of Townsend Corporation of America.

Coast Exch. Member

The election of James M. O'Hern, representing the firm of Schweickart & Co., to membership in the Pacific Coast Stock Exchange through the purchase of a membership in the Los Angeles Division, has been announced by Thomas P. Phelan, President of the Division.

Schweickart & Co., with headquarters office in New York City, is a member firm of the New York Stock Exchange, American Stock Exchange and Chicago Board of Trade. Branch offices are maintained in Brooklyn, N. Y. and Hempstead, L. I., N. Y. The firm was originally organized in 1924 under the name of Faroll Brothers.

This will add a new membership to the Pacific Coast Stock Exchange, Mr. O'Hern having purchased a Treasury Membership in the Los Angeles Division.

Columbia to Provide Training in Economic Journalism

Specialized training in economic writing and reporting will start this fall at Columbia University's Graduate School of Journalism. The program will be financed by grants of the Clapp & Pollak Foundation, Inc., of New York.

In announcing the program, Edward W. Barrett, Dean of the Graduate School of Journalism, said: "The story of man's economic life urgently needs broader, clearer telling. We hope through The Clapp & Poliak Foundation Program to help bring about better reporting of business, finance, industry, and government. We want to train some of the young minds best equipped to bring about this improvement."

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It Is Not Too Late to Return to Economic Sanity

promised "an increase of 20% or better in the average standard of living" by 1960. To be sure, the real income of some segments of the population has risen considerably faster than the average 0.25%. The AFL-CIO, for instance, points with pride to the fact that the "buying power of the take-home pay for average industrial workers has increased 55% between 1939 and 1955," but this considerable improvement in the real income of one segment of the population was possible only because other segments enjoyed no improvement in their standard of living or suffered an actual decline. There are 17 million union members in this country, but close to 20 million Americans depend for their livelihood on pensions and life insurance annuities. As Dr. Neil H. Jacoby, a former member of the President's Council of Economic Advisors, put it: "Price inflation during the past decade has pauperized millions of elderly and disabled Americans living on fixed dollar pensions and annuities. It has painfully squeezed the living standards of school teachers, government clerks, and others on low and inflexible salaries. Since 1941 more human suffering has been visited upon Americans by the doubling of consumer prices than by unemployment."

The High Cost of Prosperity

Moreover, the United States has paid a high price for the postwar boom. Due to rising prices, personal savings (savings deposits, savings bonds, life insurance policies, etc.) have depreciated about $150 billion. Total indebtedness, public and private, has increased at an annual rate of about 6%, while the output of goods and services has gained only 4%.

Approximate Increase in Indebtedness Since End of War

Corporate debt	170%
Farm debt	250%
State & Local debt	350%
Mortgage debt	470%
Consumer debt	500%

Personal indebtedness has risen from $60 billion to almost $250 billion, which largely explains the booming demand for homes, cars and other durable consumer goods. In short, America has prospered on borrowed money.

Have we relied too much on credit since the end of the war? There is no ready answer to this all-important question. It can be shown statistically that considering the growth of national and personal income, the increase in public and private debt is not excessive. But these statistics make no allowance for psychological imponderables. State and local governments are beginning to run into financial difficulties, corporate indebtedness is undoubtedly high in some industries, there is doubt whether individuals can continue to borrow as they have since the war, and even the Federal government has difficulties selling long term bonds.

Since much of the postwar boom was financed with the help of borrowed money, and it is unlikely that we can continue to go into debt at the same rate as we did in the past 13 years, how are we going to sell all the goods and services our economy can produce?

The Balance of Payments Deficit

There is another aspect of our "prosperity" which should cause concern, namely the fact that since 1950 the United States has suffered an almost constant deficit in the balance of payments, including foreign aid. Americans spent more abroad than foreigners spent in the United States. In 1958 alone the deficit amounted to $3.4 billion. Thus far, America has paid for the international deficit by shipping gold—gold holdings have decreased since 1950 from $24.2 billion to about $20.7 billion—and by increasing America's short-term indebtedness. These foreign short-term balances, which can be withdrawn by foreign owners just as an individual can draw on his checking account, have increased since the end of 1949 from $7.6 billion to almost $16 billion. On balance, the United States is, of course, a creditor nation, but American investments abroad consist chiefly of mines, factories and other long-term investments which cannot be liquidated easily, while the $16 billion which America owes to the world are, in theory at least, payable on demand.

The United States thus finds herself in the position of a bank which has used its depositors' money to make mortgage loans, and now hopes that the depositors will not suddenly demand cash. Thus far, the situation is not serious. The world is not likely to start "a run on the dollar," and a curtailment of either foreign aid or private foreign investments would turn the balance of payments deficit into a surplus. But foreign aid cannot easily be stopped without serious political consequences, and substantial private capital exports are necessary to develop foreign sources of raw materials needed by the American economy. Thus, unless the United States can increase her export surplus, there is danger that the balance of payments deficit will continue. Rising prices, however, make it increasingly difficult for the United States to maintain her exports, and hence, as Federal Reserve Chairman Martin warned, there is abroad "a growing distrust over the future of the American dollar," and this distrust increases the danger of a possible "run."

Two "Psycho-Economic" Diseases

America's declining economic health is not due to monetary or fiscal causes alone; the real causes are far more deep-seated. As a nation, America suffers from two diseases:

(1) Americans are the victims of defunct economic ideas, namely the fear of "underconsumption" and of declining prices, and the notion that basic economic ills can be cured through monetary and fiscal manipulations.

(2) American democracy stands in danger of deteriorating into a "bureaucracy," under which the instrumentalities of the government are used increasingly to exploit the nation as a whole for the benefit of organized minorities.

A Defunct Economic Theory

In the concluding paragraphs of his **General Theory,** Lord Keynes warned: The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else. Practical men of affairs, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economists." The statement explains to a large extent what is wrong with America today.

Even though economic conditions have changed completely since the 1930s, when the **General Theory** was first published, the followers of Lord Keynes, including many of the most influential economists in this country, still base their economic theories and policy recommendations on the conditions of the depression years. Twenty-five years ago the Keynesian arguments ran as follows: The population growth has slowed down, there is little demand for foreign investments, and domestic industry needs little additional capital since it has excess plant capacity and with the population more or less stationary there is little likelihood that the demand for goods will increase sharply. As a result, private individuals and corporations will have no way of investing their savings. Idle savings are accumulating, in turn, causing chronic unemployment. In order to put people back to work, Keynes and his followers suggested decreased saving, more consumer spending, and above all "deficit spending" by the government.

The theory made sense during the depression years. Since then, however, the world has changed completely. At home and abroad we are confronted with an explosive population growth. Breathtaking technological changes call for large capital investments, with the rate of saving inadequate to finance the huge defense spending and the demands for economic growth throughout the world. The leading "Keynesian" economists, however, and self-styled "liberals" throughout the land, continue to advocate the same remedies which Keynes suggested during the depression, namely more spending and less saving, and they meet with full approval by many politicians who find the old formula of "spend and spend, and elect and elect" highly expedient; by labor leaders who justify their demands for higher wages by the Keynesian theory that higher wages are needed to create purchase power; and by business which opposes inflation in theory but calls for more government spending and easy credit whenever sales are lagging. "Almost everyone" as Professor Hansen put it recently, "professes to be against inflation." But "the alleged opposition of the country to inflation is superficial, if not phony," and he listed the various groups — agriculture, labor, business, politicians—who claim to be opposed to inflation, but actually demand more inflation, whenever they feel that it might benefit their personal interests.

Lincoln once said that America can never be murdered; it can only commit suicide. We have reached this stage. The selfishness of minority groups parading behind the cloak of a defunct economic theory threatens to destroy the dollar.

No Easy Economic Gadgets

Why doesn't anybody do something about it? Here again we are the captives of wrong economic thinking. Not only have we inherited from the depression years of the 1930s a strong inflationary bias, we have also come to think that inflation and deflation can be cured through monetary and fiscal manipulations. By raising and lowering interest rates, and by regulating the supply of credit, the Federal Reserve can supposedly keep prices at a more or less even keel, while the Treasury, by increasing and decreasing taxes and spending, can supposedly assure maximum employment. All this is largely an illusion, even though most college textbooks still proclaim it as economic truth. If the Federal Reserve were to curb credit and raise interest rates to prevent rising prices, it would produce unemployment and such an outcry by labor and business, that Congress would threaten to intervene. While the Federal Reserve can "lean against the wind," it cannot for all practical purposes stop the inflationary storm.

Fiscal policies are no more effective. Congress can order more spending when business slows down—as Congress did in 1958—but it takes many months before public spending actually begins to percolate through the economy, and by that time the deflationary trend may have given way to renewed inflationary pressure. Moreover, while Congress is always willing to stimulate business through more spending, pleading Keynesian economics as justification, it has shown extreme reluctance to reduce public spending when business is booming and prices rise. As a matter of practical politics, Congress can increase spending to fight unemployment, but it finds it highly inexpedient to reduce spending to curb inflation.

Inflation as a Way of Life

With monetary and fiscal policies ineffective to curb chronic inflation, must the United States adjust herself to a progressive depreciation of the dollar? Given the choice between the postwar policies of France and Germany, must we follow the French example?

Some of the leading American economists counsel that the nation accept inflation as a way of life. Some claim that America cannot have at the same time a high rate of employment and a stable dollar, and, argues Professor Slichter, "the maintenance of a stable price level (leading to unemployment) involves greater injustices even than a slowly rising price level." The Slichter argument rests on the assumption that America cannot prevent rising wages from pushing up prices, because a restrictive credit policy assuring a reasonable stability of prices would produce unemployment and retard economic growth. Actually there is no reason to assume that stable or even declining prices will cause chronic unemployment, provided, of course, America can put an end to the wage-price spiral.

The experiences of the past ten years, moreover, indicate clearly that inflation is no sure road to economic growth: the dollar has depreciated 30%, yet economic growth has been less rapid than during the post-Appomattox era, when prices declined.

Economic growth depends above all upon increased production, which in turn requires more machines. In order to buy machines people must save part of their income, and be willing to invest their savings. Yet the same "liberals" who lament the fact that the United States is falling behind in the economic race, advocate less work—a 35-hour week, longer coffee breaks, more vacations, and a curb on technological progress — and less saving, and they discourage investments by calling for more taxes and lower profits. The lessons of recent history seem to mean nothing to them. While Britain went all out after the war to foster welfare state economics, Western Germany held mass consumption to a minimum and devoted all her energies to the reconstruction and expansion of her factories and mines. The results are well-known: within ten years Germany rose from complete devastation to become economically the most powerful nation of Western Europe overtaking England in most fields.

Another defeatist argument in favor of accepting chronic inflation is based on the assumption that the American people are in effect neither willing nor politically able to prevent national suicide. In recent articles in the **"Chronicle"** and elsewhere, including the New York "Times," for instance, Professor Slichter argued that, "the tendency for wages to outrun output per man-hour is bound to occur in an economy of private enterprise and powerful trade unions." Professor Slichter rejects the possibility of curtailing demand because he believes that an effective credit control would retard economic growth. He rejects price and wage controls "because the people would not tolerate controls in time of peace," and he feels unions cannot be curbed because "any effort to destroy or seriously weaken organized labor would cause the workers to rally to the support of the unions and make them stronger and more aggressive than ever." Hence, Professor Slichter concludes, there is little hope that the "creeping" inflation can be stopped for the next decade or more. Nor is he particularly worried about the consequences. The income of fixed income groups, pensions, and life insurance payments could be adjusted automatically to the rising cost of living. Interest on bonds and mortgages could be increased to, say, 5% or 7% to compensate for the gradual depreciation of the principal. Professor Slichter seems to forget entirely that the difference between "creeping" and "galloping" inflation is chiefly psychological: As long as the mass of the people feel that price increases are a temporary phenomenon, inflation will "creep." But once the government admits through the measures suggested by Professor Slichter that inflation has become a way of life, everybody will scramble for safety, and inflation will start to "gallop."

The Road to Economic Sanity

The solution to the nation's ills —and possibly the key to America's survival—lies not in defeatist acceptance of inflation, but in a revolutionary change in public thinking: Stop exploiting the nation for the benefit of the few.

Since the end of the war, America has suffered from both "demand-pull" and "cost push" inflation — from over-expansion of credit and from wages and profits rising faster than productivity. Both must be stopped if the dollar is to be saved. Government subsidies, waste, and public spending on "social priorities," over-expansion of consumer credit and periodic excessive capital investments have inflated the demand. Meanwhile unions have been pushing up wages faster than productivity permitted, output has been restricted artificially, impaired competition has made for high profit margins, while featherbedding and planned obsolescence are adding to total cost.

The Orgy of Public Spending

In speaking of the fiscal policies of the Federal Government, one must distinguish between national defense which in itself is not likely to unbalance the monetary stability; so-called "national defense" spending which actually represents either waste or subsidies for pressure groups which hide behind false labels; and finally, spending in the name of "social priorities."

Since 1955, defense spending has increased by about $5 billion; non-defense spending by $10 billion. Of the $5.3 billion increase in the 1958/59 budget, only $500 million went for national defense despite the Sputnik scare, all the rest went for "social priorities." Non-defense spending costs the taxpayer currently more than $35 billion a year; more than total Federal spending, including national defense, just prior to the Korean War.

In short, the mushrooming growth of public spending, which is endangering the nation's economic stability, is not due to the

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high cost of national defense, but the ability of powerful pressure groups to raid the public Treasury for their own benefit, and to the growing contempt of politicians and government officials — from the White House to the last school board—for the people and their money. According to some estimates, sheer waste, inefficiency and duplications consume more than 10 cents out of every defense dollar, or about $5 billion a year. The cost of the new Air Force Academy was originally put at $139 million, its final cost is likely to be $260-$300 million. The irrigation system for the 18-hole golf course costs the taxpayer $118,000, a comfort station near the parade ground $53,000. There are 22 garden pools with underwater lighting. All this in the name of "national defense." The only thing missing thus far at the Air Force Academy is—a landing field! The Armed Forces spend $30 million every year for the maintenance of some 60 empty, and largely obsolete defense plants. Two hundred thousand dollars are spent for publicity junkets to Florida. Nor is the "defense" spending confined to the Armed Forces. The International Cooperation Administration has cut its lending almost in half since 1953, yet the number of its employees has almost doubled. And some of the worst waste, one must assume, is never made public. The Controller General complains that his office is "unable properly to discharge our statutory responsibility," because government agencies can conceal their spending by classifying it as "secret."

No doubt, the elimination of waste and duplications would suffice to balance the budget. But this would require drastic steps by the Administration and Congress: the demotion and possible discharge of government officials and officers who are guilty of waste of public funds. Unfortunately neither the Administration nor Congress can tackle such a task with clean hands. Can the fantastic increase since the days of Coolidge and Hoover in the cost of running the White House really be explained entirely by increased functions? How can a cabinet member demand economy from his subordinates, when he himself requires 11 mess attendants in his private dining room? Last year it cost the American taxpayer on an average more than $160,000 to maintain a Senator or Congressman in Washington. The people are entitled to know how their money is spent. Yet the Senate voted some years ago to hide its expenditures behind a cloak of secrecy. The chances are, of course, that Senators have no more scruples than Congressmen in channeling public funds into the pockets of members of their families. While the average Iowa University professor receives $6-$10,000 a year, an Iowa Congressman put his son, a college student, on the government payroll at $11,000—part-time! This sort of nepotism may be "legal" as far as Congressmen are concerned, but it illustrates the arrogant contempt of "public servants" for the taxpayer. What is true of Washington, is equally true, of course, of the 50 state capitals, and of every city and county. America stands in danger of deteriorating from a "democracy" in which the people rule, to a "bureaucracy" in which the people have become powerless against government officials.

Subsidies for the "Un-needy"

More serious than government waste is the fantastic growth of non-defense spending in the form of subsidies and public works. The Constitution empowers Congress "to collect taxes, duties, imports and excises" in order "to pay the debts and provide for the common defense and general welfare of the United States." Actually, the major portion of non-defense spending does not aid the "general welfare," but instead benefits primarily powerful minority groups, such as the Veterans and the shipping interests, magazine publishers, TVA and the oil and sugar interests, to mention only a few. While the postage of the "average Mr. American" was increased by 33% last year, the most affluent magazines continue to pay only part of the mailing cost—an annual subsidy running into millions. The cost of the Veterans Program has risen 25% in about five years, yet the major portion of the current cost of $5 billion goes for disabilities or deaths not connected with military services. More than 95% of the American people are taxed to subsidize by about $90 million annually the remaining fewer than 5% who live in the Tennessee Valley Authority region. While the taxpayer is called upon to subsidize, to the tune of $3.5 billion, the construction program of private shipping lines—the profits go to private, often very wealthy stockholders—the stevedore union prevents the efficient use of costly loading equipment, partially financed by taxpayers' money. In the name of "national defense," the people thus finance dividend payments to a relatively small number of private stockholders, subsidize luxury travel, and underwrite the "featherbedding" of the stevedores. Sugar, oil, lead and zinc interests — and many other pressure groups—have been able to convince Congress or the White House that their personal gains are synonymous with the "general welfare."

The High Cost of Housing

The two outstanding examples of government largesse at the expense of the general welfare are the housing and farm subsidy schemes. Depending upon which index one uses, building cost has increased 50 to 100% faster since the end of the war than the general price level. The cost of housing has risen 50% faster than the cost of living. While housing used to require 25% of the income of a typical middle class family, it requires 30 to 35% now. While it was regarded as normal to spend two annual incomes on a house, it now requires three years' income. Direct and indirect government subsidies may have produced more housing—and even that is doubtful, it has certainly not produced cheaper and better housing. Government policy alone is to blame for the fleecing of the people for the benefit of small minority groups: the building trades, construction firms and above all real estate interests, all of whom maintain some of the most effective lobbies in Washington, dispensing favors to members of Congress and government officials, and drafting "just about every item" of the Congressional housing bills, as one member of the housing lobby recently explained with pride.

No one wishes a return to ceiling prices and rent controls. But it is an established principle of law that the government has the power to fix the terms under which the people's money is to be used for subsidies. Certainly public money should not be used to the detriment of the people as a whole, and Congress should establish minimum standards as a prerequisite for housing subsidies.

The present chaos of conflicting building codes—only too many of them designed to protect special interests—raises the cost of an average house by an estimated $1,000, and thus costs the American people about $1 billion a year. Congress could obviously restrict FHA and GI loans (the latter being another striking example of "privileged class" legislation) to houses built under one of the four standardized building codes. Congress could also require that all feasible labor-saving devices are to be employed to keep down cost; in other words outlaw featherbedding by employers and workers on government-subsidized housing. Wages should not be increased if they have risen 50% faster than the cost of living during the preceding decade. Profits of contractors, builders and suppliers should be restricted to a fixed cost-plus basis, with the government supervising cost. Finally, Federal subsidies should be denied, whenever the price of the land has increased more than 50% faster than the average cost of living during the preceding decade, with full allowance for actual improvements. Provisions of this type, if adopted at the end of the war, could have saved the American home owner upward of $30 billion, equal to the value of about two million homes.

The Futile Farm Aid Program

The inequities of the farm program are even more obvious. The program was adopted during the depression years as an "emergency" measure; the heavy spending, however, occurred during postwar years of unprecedented prosperity. Even though unit production cost has declined sharply since the war due to mechanization and greatly increased yields, support prices have been raised from 52-75% before the war, to 75-90%. The American people—rich and poor—pay three times for the farm subsidies—through taxation, through higher living cost, and through international complications caused by the dumping of farm surpluses. Yet the billions of dollars do not go to the needy farmers, but to a relatively few large enterprises, namely, the top 12% of the farms with annual sales of more than $10,000, which account for 55 to 60% of market sales, and most of which could operate profitably on basis of world market prices. Every year, the press publishes lists of large mechanized farm enterprises which have received huge amounts, in some cases more than a million, in subsidies, while 2.7 million small farmers receive an average of less than $110.

Moreover, of some 250 farm products only 12 enjoy price supports at minimum levels, and three—wheat, cotton and corn—account for 75 to 80% of the surpluses which cost the American people almost $1 billion a year in storage, interest and administration cost.

A Sound Farm Aid Program

Only by freeing farm prices and farm output completely can the inflationary pressure be removed. The farmer, who has become accustomed during the past ten years to hothouse protection, should not be abandoned abruptly to the cold winds of free competition. While the government would no longer purchase farm surpluses, and the soil bank contracts would be permitted to run out, the government would stand ready to pay direct subsidies up to $10,000 per farm or farmer based on the average income during the preceding ten years—provided, of course, that he tills his land. The subsidies, however, would decline by 10% every year, and would end completely after ten years which would give the farmer time to adjust himself to the free market economy. No subsidies would be paid to the purchaser of farm land after a certain date. Large scale resettlement aid for subsistence farmers should be provided with the cash subsidies for those who move into other occupations gradually being reduced year after year.

By eliminating waste and stopping the subsidies to the "unneedy," the federal budget could be reduced by $10-15 billion, which would remove one of the most powerful inflationary forces.

The "Cost-Push" Inflation

There has been a great deal of discussion whether prices are pushed up by wages rising faster than productivity as industry maintains, or whether wages "chase rising prices" as the unions claim. According to the AFL-CIO, for instance, "unit labor cost" in the steel industry increased only 34.7% between 1947 and 1957, while steel prices rose 96.3%. According to sworn testimony of U. S. Steel Chairman Blough, on the other hand, steel prices rose about 160% between 1940 and 1957, while wages increased 255%.

Actually, American industry in general and organized labor are both pursuing a fundamentally unsound wage and price policy at the expense of the consumer and the nation as a whole; not to mention the one to two million workers who have been priced out of the labor market. Both base their reasoning on a fallacious premise, namely the notion—accepted even by President Eisenhower — that "as long as wage increases are measured by increase in productivity . . . there would be no inflationary effect." Man-hour productivity statistics, as a recent Labor Department report emphasized, "do not measure the specific contribution of labor or of capital, or of any other factor of production." They "reflect the joint effects of a large number of separate, though inter-related influences, such as technological improvements, the rate of operation, the relative contributions to production of plants at various levels of efficiency, changes in integration, the flow of materials and components, as well as the skill and effort of the work force, the efficiency of management, and the status of labor relations." Yet despite this multiplicity of factors union leaders insist that any increase in productivity should result in a corresponding increase in wages. On the other and, when the government recently announced that man-hour productivity in the steel industry had declined during 1957 and 1958, both U. S. Steel and steelworkers announced that this had "no meaningful significance" as far as wage determination was concerned.

If the entire increase in earnings, due to greater productivity, were to go to labor, prices would have to rise to pay the men or women who invested their savings in the new machines. It would be equally unsound, if increased profits went entirely to the stockholders, since this would probably lead to a dangerous over-expansion of plant capacity. While there is some statistical evidence that corporate profits since the war have been smaller in relation to net sales than they were during the last period of prosperity, the 1920s, the profits of many of the leading industrial concerns, whose price and wage policies affect prices and wages throughout the economy, have been very substantial. It is thus not surprising that unions and Congressional committees complain about "administered prices." Wage increases agreed to by the leading industrial companies affect wage standards throughout the economy, even in those areas where man-hour productivity cannot be increased, so that the entire cost of higher wages must be passed on to the consumer.

Since the depression there has been a strong bias among economic theorists, politicians and business leaders against price competition and lower prices in general. This does not mean that competition as such has disappeared; the form merely has changed. Style and quality competition, supported by high-powered advertising, have replaced old-fashioned price competition. The American automobile, a necessary means of transportation, has been made into a symbol of conspicuous consumption, a gadget-laden Christmas tree, which has developed into the most serious financial burden for the average American family.

The steel industry would undoubtedly be happy to strengthen its competitive position at home and abroad by keeping prices stable, and under the statesman-like leadership of Benjamin Fairless steel prices were cut in 1948 to stem the then alarming inflationary trend. What happened? Neither Congress nor the Truman Administration gave the move wholehearted support. The unions demanded and obtained another substantial wage increase, and within a few months, the steel industry admitted defeat, and prices have been going up ever since.

Business and union leaders object to the charges that industry is often willing to grant even unreasonable wage increase as long as this will purchase labor peace, and the cost can be passed on to the consumer. Yet how else can one interpret a statement in the 1959 bargaining suggestions issued by the National Association of Manufacturers that since union leaders must produce results in order to keep their jobs business should "take into account (the union leaders') neck-and/or face-saving devices."

The "Reuther Plan"

Walter Reuther's suggestion that the auto industry should reduce prices was, in part at least, a clever political gesture. Yet it represents basically sound economics and good public relations. "Neither stockholders nor workers . . . have a right to insist on levels of income through inflationary prices that deny to other citizens their full and proper equity in the national product." Yet this is exactly what has happened since the war. While labor's share in the national product increased, as union leaders have often and proudly pointed out, the share of fixed income groups has declined. Are the union leaders willing to halt this progressive expropriation of the fixed income groups, or must the "government acting on behalf of a justifiably aroused people" intervene? This is the critical issue to be decided in the present steel negotiations.

Let the Administration and Congress declare it to be the policy of the United States that henceforth the fruits of scientific and technological progress shall accrue to the people as a whole not merely to a small group of union workers. Higher profits, resulting from increased productivity due to technological advances, shall be used above all for price reductions. Labor cost—wages and fringe benefits—shall not be increased, provided it has risen 50% faster during the preceding 10 years than the cost of living. Industry in turn, should immediately reduce prices substantially. This would benefit the nation as a whole by lowering the cost of living. It would help labor twofold by raising the purchase power of the wage dollar and by increasing job opportunities. It would stimulate exports and thus strengthen international confidence in the dollar. Above all, it would help to break the spell of defunct economic theories, that lower prices mean depression. If the present wage negotiations in

the steel industry do not result in a substantial reduction of the steel price—made possible through a stabilization of the labor cost—the American people as a whole will have suffered a serious economic defeat.

Can Democracy Cure Its Economic Ills?

Are these suggestions utopian and "impractical"? For a decade the American people have been kept in a fool's paradise, known as "creeping" inflation, while the nation's economic strength deteriorated. Shortly before his death a few years ago, a highly regarded Swiss banker-economist who knew America well, concluded: "A crisis in America . . . could be avoided on the indispensable condition that the government renounces its fear of the public and finds the courage to express and act upon its convictions. This, in the democracies of our time, seems to me no longer possible. The arrogance of the employers, and the trade union leaders' greed increase with each inflationary wave. . . The governments are but obedient slaves of the "inflationists" . . . the public lacks insight, those who should rule it lack courage. . . The inflation is veiling the fact that America is living beyond its means . . . Crises come precisely when—and because—the mass of men will not believe in them."

Is it "utopian," "politically impossible" to awaken the American people to the dangers? Certainly, there is nothing "revolutionary" about the remedies suggested here, yet they would suffice to restore the American economy to a sound basis. Nothing is "politically impossible"; it merely seems so until it has become reality. Who would have thought it possible just 30 years ago that the American Government could jail a retailer for selling drugs below the monopoly price fixed by the manufacturer; or fine a farmer for producing wheat on his own land and feeding it to his chickens; that a government agency could compel a corporation to negotiate with the unions before installing more efficient machinery; that millions of Americans could buy houses with virtually no down payments; that the government would take more than 30 cents out of every dollar earned by the people? All this would have seemed "impossible" in 1929. It seemed equally "impossible" in 1948 that Germany within a decade could regain her prewar economic power; and in 1957 that DeGaulle could lead France toward economic recovery.

Only if the American people are too blind to see the dangers of creeping inflation, or too defeatist to take the necessary measures, will it prove "politically impossible" to stop the wage-price spiral and to put an end to the waste in government. In the words of Senator Johnson, "We cannot afford to bankrupt the national conscience to serve the ends of political bookkeeping."

Francis S. Wilson With H. M. Byllesby and Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Francis S. Wilson, Jr., has become associated with H. M. Byllesby and Company, Incorporated, 135 South La Salle Street, members of the Midwest Stock Exchange. Mr. Wilson, who has been in La Salle Street for many years, was formerly with Bache & Co. and Kneeland & Co.

Kahn & Peck Partner

Arthur D. Halpern has become a partner in Kahn & Peck, 25 Broad Street, New York City, members of the American S. E.

Butler, Herrick Branch

GREENPOINT, N. Y.—Butler, Herrick & Marshall has opened a branch office at 132 Front Street under the management of William J. Hattrick.

Securities Salesman's Corner

By JOHN DUTTON

Think Like a Customer

The men who have succeeded in building the soundest and most profitable clientele of individual investors will tell you that they not only had to be good analysts of securities, but also good judges of people. Some of the best traders, investment analysts, and judges of security values, have fallen flat as investment salesmen. One of the reasons for this has been their inability to project their thinking into the consciousness of their customers. They think like professional investors and they talk the same way. The average man and his money does not think like the Wall Street professional. He thinks like a businessman, a doctor, or a retiree. He simply wants to make money by investing his money. He wants certain things and, unless an investor's REAL REASONS for investing are understood, teamwork between investment salesman and client is not possible.

For Instance

Here is a sample of the proper appraisal of a certain type of client's psychological investing needs. One of our salesmen has started to sell a few very wealthy men some tax-free bonds. Most of these investors are new to the tax-free bond type of investment. They are in the main retired businessmen who spend their days either sitting around at a beach club, playing some friendly cards together, or decorating the offices of stock brokers.

Slowly this little group is expanding and the salesman who is handling this business is carefully leading these investors into such areas of bond buying as geographical diversification (don't buy all your bonds in one state, one town, or one county); spread out your maturities (so that you will have some short-term bonds if you want some money for a special purpose); buy some bonds of large cities and states that have a ready national market (in case you need money you can sell easily); buy some other bonds (for a higher yield) of sound, smaller, communities; and don't place too much emphasis on ratings, there are good bonds that are not even rated. Such ideas as these are proper and they have to be slowly drilled into customers. Reasons must be given why certain bonds should be bought and others avoided. Gradually this salesman is gaining the confidence of his group of neophyte bond buyers and they are following his recommendations.

Recently he mailed a few offering circulars to some of his regular clients and prospects and he received a telephone call from a prospect who said he had about $40,000 to invest in some bonds. He noticed a certain issue on the list that he had received and he thought he would like to put these funds into that particular bond. It happened to be a high yielding, medium grade, nonmarketable, local, but small issue that provided a yield that was the highest on the list. The salesman suggested that he only buy ten of the bonds instead of forty and the "first time customer" did so. He was then told that he should hold his funds and the salesman would select another thirty bonds for him after he had an opportunity to obtain a more complete understanding of the customer's investment position. To this the customer agreed.

There are some who might argue that this salesman violated one of the cardinal rules of investment salesmanship—when you have an order fill it. This type of thinking I believe is rapidly passing from the investment scene. (I am not talking about orders placed for execution in a stock trading account, that's a horse of another color). Here we have a first time, unschooled, bond buyer, and he came to this salesman because of his connection with other friends who do business with this securities man. He had received mail describing tax-exempts and he placed an order with the salesman for forty bonds and yet the salesman told him he should buy only ten.

This is thinking like a customer. This salesman is trying to build a group of satisfied clients. He knows that the men to whom he now sells bonds in this particular group are TALKERS. He is wise enough to know that should his new client meet with his friends the first thing he will say is, "I just bought some bonds from your friend down at Jones and Company." Then he will be asked what he bought and he will say, "I wanted to buying $40,000 of Podunk 4½s but your man said I should only buy $10,000 of them and he would get some other suggestions together." If our salesman had sold him the forty bonds he could be quite sure that some of the other customers would have jumped all over his new client with a chance to display their newly discovered knowledge of tax-exempt bonds and would have told him, "Looks to me like you put a lot of money into that one issue, they are not even rated, no market to speak of, small issue, I hope you make out all right."

You have to think like a customer — and customers are of many different breeds. When you sell bonds to pinochle players you have to think like pinochle players.

Sterling Television Co. Shares All Sold

R. A. Holman & Co., Inc., of New York City, on June 9 publicly offered an issue of 200,000 shares of class A stock (par 25c) of Sterling Television Co., Inc. at $1 per share. This offering has been completed, all of the shares having been sold.

The company produces and distributes film to individual television stations throughout the world, having already sold 378 of the 559 television stations in the U.S.A. Programs produced by Sterling are now running in Canada, Great Britain, Australia, Belgium, Italy, Sweden, Denmark, Luxembourg, Switzerland, Japan and Hong Kong. Sterling also produces programs for showing over major U. S., Canadian and Great Britain networks.

Sterling recently entered the educational field and is the producer of the award-winning monthly film magazine "The Screen News Digest" being seen by millions of school children in the U. S. A.

Sterling has world-wide distribution of 52 half hour Abbott and Costello comedy films, now showing in major U. S. cities from New York to Los Angeles.

The proceeds will be utilized in the development and completion of various new films, for expansion of sales and general corporate purposes.

Upon completion of sale of this issue there will be 200,000 class A shares outstanding and 250,000 class B shares outstanding.

Continued from page 4

The State of Trade and Industry

Steel use is said to be running at about 7 million tons a month. This is a little more than had been expected, but it also is more than 1.5 million tons less than steel shipments. Shipments for May, when the official figures are announced, are expected to about equal April's all-time high of 8.6 million tons. June shipments are expected to drop to about 8.1 million tons.

The inventory buildup will be about 1 million tons less than expected for the first half. Instead of a 9-million-ton accumulation, it will probably be a little less than 8 million tons. The July 1 level will be slightly under 20 million tons.

No Immediate Steel Shortage Should Strike Occur

If the United Steelworkers strike on July 1, few users will be hurt for a month, "Steel," the weekly metalworking magazine, said on June 8.

After six weeks, many consumers will be in trouble, because their stocks are out of balance. After eight weeks, shortages will force mass shutdowns.

Since the first of the year, users have upped their inventories from 13 million to 19.5 million tons. By June 30, they will have about 21 million tons in stock—9 million more than they had last September (when liquidation ended) but 4 million less than they had on the eve of the 1956 strike.

The big users, including the automotive industry, are well fixed as far as stocks go. Major appliance manufacturers have also been hedging against a strike for months. Other buyers who are well prepared are the canmakers, oil producers, and service centers.

Railroad carbuilders will be in a tight spot because they started late. Structural fabricators didn't increase their inventories much. Builders of machinery, earth moving equipment, and farm implements will fall short. Other users, especially the small companies, are short on hot rolled, cold rolled, and gavanized sheets.

If there is a long strike, the few mills that will continue to operate, warehouses, and foreign steel suppliers will have a heyday.

If there is no strike, steelmaking operations will average 63% of capacity in the third quarter and production will be about 23 million ingot tons. Fourth quarter operations should average 75%, with output of 28 million tons.

A two week strike means a loss of 4 million ingot tons; a four week strike, 7.4 million; a six week strike, 10.3 million; and an eight week strike, 14.3 million.

If a shutdown costs the industry more than 10 million tons (or lasts longer than six weeks), steelmakers won't be able to make up the lost tonnage by the end of the year. An eight week strike will cut the year's output from 115 million ingot tons to 110 million. Even if steelmakers boost September operations to 85% of capacity (the best possible in the first month after a strike) and run at 95% instead of 75 in the fourth quarter, they will still lose 5 million tons.

Last week, steelmakers operated their furnaces at 94% of capacity, down 0.5 point, and turned out 2,661,000 ingot tons.

The robust health of the nonferrous metals market has driven the Gloomy Gusses and professional pessimists underground, "Steel" said. Demand is good; profits are going up; prices appear stable; and producers' stocks are mostly falling. Only the threat of labor trouble in a few weeks mars the best general picture in over two years.

After a substantial period of depression, scrap prices rose last week. "Steel's" price composite on No. 1 heavy melting stands at $35 a gross ton, up $1.

Steel Output Based on 94.7% of Capacity

The American Iron and Steel Institute announced that the operating rate of the steel companies will average *166.9% of steel capacity for the week beginning June 8, equivalent to 2,681,000 tons of ingot and steel castings (based on average weekly production for 1947-49) as compared with an actual rate of *165.2% of capacity and 2,653,000 tons a week ago.

Actual output for the week beginning June 1, 1959, was equal to 93.7% of the utilization of the Jan. 1, 1959 annual capacity of 147,633,670 net tons. Estimated percentage for this week's forecast is 94.7%.

A month ago the operating rate (based on 1947-49 weekly production) was *163.8 and production 2,631,000 tons. A year ago the actual weekly production was placed at 1,728,000 tons, or *107.6%.

*Index of production is based on average weekly production for 1947-1949.

Car Output 73% More Than in 1958 Period

Passenger car output bounced back this week to a rate that will give U. S. auto makers their best second-quarter production since record year 1955, said Ward's Automotive Reports on June 5.

Ward's said 127,738 cars were scheduled to leave the nation's assembly lines in week ended June 6, or 9% more than previous week's holiday restricted total of 117,372.

Ward's predicted volume will improve again in week beginning June 8 as manufacturers build up steam for a June performance of 550,000 car completions. This would provide an April-June count of over 1,675,000 units, 67.1% higher than corresponding 1958 (1,003,653) and fourth historically below 1955 (2,128,136), 1953 (1,735,877) and 1950 (1,758,838).

Through week ended June 6, an estimated 2,853,710 new cars have been turned out in 1959, 73% more than were built through the same date in 1958 (1,978,606).

Ward's reported six-day car-making at American Motors in Kenosha, Wis., Pontiac in Pontiac, Mich., Lincoln-Thunderbird in Wixom, Mich., and Ford Division in Chicago, Dallas and Kansas City.

Down all of the week ended June 6 was Chevrolet's Los Angeles factory, while four-day programs were in effect at two Buick-Oldsmobile-Pontiac plants, Mercury's Los Angeles unit, Studebaker in South Bend and Dodge Main, Chrysler, DeSoto and Imperial in Detroit.

Ward's said truck output for the week under review was scheduled at its highest level of the year—27,705 units, 1% over

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The State of Trade and Industry

the previous high of 27,480 set May 4-9 and 9% above the 25,419 units for week ended May 30.

Ward's said a banner year is shaping up for truck makers in 1959, with production through week ended June 6 (564,147) running 71% ahead of corresponding 1958 (392,822).

Electric Output 14.5% Above 1958 Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, June 6, was estimated at 13,023,000,000 kwh., according to the Edison Electric Institute.

For the week ended June 6, output increased by 245 million kwh., above that of the previous week and showed a gain of 1,342,000,000 kwh. or 14.5% above that of the comparable 1958 week.

Car Loading 29.8% Above Corresponding 1958 Week

Loadings of revenue freight for the week ended May 30, totaled 687,726 cars, the Association of American Railroads announced. This was an increase of 157,947 cars or 29.8% above the corresponding week in 1958, and an increase of 16,681 cars or 2.5% above the corresponding week in 1957.

Loadings in the week of May 30, were 1,981 cars, or three-tenths of 1% above the preceding week.

Lumber Shipments 5.6% Above Production For May 30 Week

Lumber shipments of 462 mills reported to the National Lumber Trade Barometer were 1.1% above production for the week ended May 30. In the same week new orders of these mills were 5.6% below production. Unfilled orders of reporting mills amounted to 47% of stocks. For reporting softwood mills, unfilled orders were equivalent to 22 days' production at the current rate, and gross stocks were equivalent to 42 days' production.

For the year-to-date, shipments of reporting identical mills were 2.5% above production; new orders were 4.5% above production.

Compared with the previous week ended May 23, production of reporting mills were 0.5% above; shipments were 2.8% below. For the latest week, as against the corresponding week in 1958, production of reporting mills was 15.7% above; shipments were 6.5% above; and new orders were 10.8% above.

Rise in Business Failures Reported

Commercial and industrial failures climbed to 314 in the week ended June 4 from 264 in the preceding week, reported Dun & Bradstreet, Inc. Despite this increase to the highest level in eight weeks, casualties remained below the 325 occurring last year. Some 13% more concerns failed, however, than in the similar week of prewar 1939 when the toll was 279.

Liabilities of $5,000 or more were involved in 272 of the week's casualties, as compared with 232 in the previous week and 283 a year ago. An increase lifted small failures, those with liabilities under $5,000, to 42 from 32 last week and brought them even with the number of this size in 1958. Twenty-five of the failing businesses had liabilities in excess of $100,000 as against 27 in the preceding week.

Trade and construction tolls increased during the week. Retail casualties climbed to 162 from 132, wholesale to 37 from 21, and construction to 28 from 29. Contrasting dips brought manufacturing failures down to 53 from 55, and commercial service to 24 from 27. Casualties among wholesalers and construction contractors exceeded their 1958 levels, but other industry and trade groups had lower mortality than a year ago.

Geographically, the week-to-week rise prevailed in six of the nine major regions. The toll in the Middle Atlantic States turned up to 105 from 87, while East North Central failures jumped to 65 from 43 and New England to 23 from 9. The Pacific States, one of the three regions with declines, reported 61 casualties as against 69 a week earlier. Most areas had fewer concerns failing than in the corresponding week of 1958; only three regions—the New England, East North Central, and Mountain States — suffered heavier tolls than last year.

Slight Rise in April Business Failures

Edging up 2%, business failures totaled 1,292 in April, an 11-month high but 11% below last year. Their liabilities, bolstered by an increase among casualties in excess of $100,000, climbed to $71.9 million. This volume was not as large, however, as in the previous April when the postwar record of $83.9 million was reached.

The rate of failure, despite a slight rise, remained relatively low—52 per 10,000 listed enterprises. Down for the sixth consecutive month from the similar period of the previous year, it compared with 60 per 10,000 a year ago.

Retail and service businesses suffered most of the increase between March and April. The apparel store toll surged the highest in over two years, while restaurant mortality was the heaviest in six months. In contrast, manufacturing casualties dipped the lowest so far in 1958, with a marked drop in the machinery industry.

Fewer concerns succumbed than last year in all types of operation except service. Among individual industries and trades, considerable declines from 1958 were noted in food, leather, and steel manufacturing, in furniture and appliance retailing, in general building and subcontracting.

Geographically, month-to-month trends were mixed, with five regions down from March and four up. But, all regions reported improvement from year-ago levels except the Mountain and the South Atlantic States. The latter's total climbed to a new postwar high, whereas failures fell sharply in all East and West South Central States. The least change from April 1958, a 3% dip, occurred in the Middle Atlantic States where New York casualties moved up, offsetting downturns in New Jersey and Pennsylvania. Tolls dropped noticeably in Detroit, Baltimore, and Boston and slipped moderately in Los Angeles, St. Louis, and Buffalo.

Wholesale Food Price Index Lowest Since November 1956

The wholesale food price index, compiled by Dun & Bradstreet, Inc., dipped this week to $6.07, the lowest level since the week of Nov. 13, 1956 when it stood at $6.01. The current index for June 2 was $6.07, down 0.5% from the $6.10 of the prior week, and 8.0% below the year ago $6.60.

Higher in price this week were rye and hams. Commodities quoted lower were flour, wheat, corn, barley, lard, coffee, cottonseed oil, cocoa, eggs, steers, and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use. It is not a cost-of-living index. Its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Edges Slightly Higher

The general commodity level edged slightly higher in the latest week, with gains in steel scrap, silver, tin, and hides offsetting moderate declines in most livestock, lard and rye. The Daily Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc., stood at 276.92 (1930-32=100) on June 8, compared with 276.49 a week earlier and 279.76 on the corresponding date a year ago.

Wheat prices remained close to the prior week, but offerings in most markets were light. Both domestic and export buying of wheat moved up appreciably during the week. Moderate declines in rye prices reflected lower volume. There was a moderate rise in corn prices as domestic volume expanded and exports remained at a high level. Corn stocks were slightly below a week earlier.

Although trading in oats was sluggish, prices rose somewhat as supplies in some markets were light. Soybean prices weakened despite strength in the oil market and a rise in export buying.

Purchases of flour were slow as buyers were hoping for lower prices when harvesting got well underway. Flour prices were unchanged from the prior week. Except for a sizable offering submitted to Ceylon on the weekend, export activity in flour was sluggish.

Transactions in rice moved up somewhat and prices were steady. Exports negotiations were pending with Ceylon, Indonesia, France, and Argentina. Expecting supplies to expand and prices to dip somewhat, buyers of sugar moderately reduced their purchases this week and prices remained close to a week earlier.

Although coffee trading slackened at the end of the week, prices finished at prior week levels. The buying of cocoa moved up appreciably, and prices were slightly higher.

While hog receipts in Chicago were steady this week, prices fell moderately as trading slackened. There was a slight dip in prices on steers and purchases were down somewhat. Wholesalers reported a slight decline in lamb prices as transactions lagged and offerings were down noticeably. Following the decline in hog prices, lard prices dipped appreciably during the week.

Cotton prices on the New York Cotton Exchange moved within a narrow range during the week and finished unchanged from the prior period. Exports of United States Cotton for the week ended last Tuesday were estimated at 39,000 bales, the lowest for any week since early March. This compared with 53,000 bales a week earlier and 100,000 in the comparable period a year ago. The export total for the season through June 2 came to about 2,371,000 bales, compared with 4,829,000 in the comparable period last year.

Retail Sales Up Moderately Over Year Ago

Although most stores were closed on Saturday for the Memorial Day holiday, consumer buying was up moderately from both the prior week and a year ago. Hot weather in many areas stimulated sales of Summer apparel, outdoor furniture, and cooling equipment. Scattered reports indicate that sales of new passenger cars advanced from the prior week and remained sharply over the similar 1958 period.

The total dollar volume of retail trade in the week ended June 3 was 1 to 5% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1958 levels by the following percentages: Middle Atlantic and East North Central +4 to +8; Mountain +3 to +7; East South Central +1 to +5; West South Central 0 to +4; New England and Pacific Coast —1 to +3; West North Central —2 to +2; South Atlantic —4 to 0.

Noticeable year-to-year gains occurred in sales of women's Summer sportswear, beachwear, and dresses offsetting declines in coats and suits. Increases in men's lightweight suits were more significant than in furnishings, except for sharp rises in purchases of straw hats. Apparel retailers reported marked year-to-year increases in children's Summer clothing again this week.

Hot weather and sales promotions prompted an upsurge in the buying of air conditioners and fans from the prior week and moderate gains over last year prevailed. While interest in refrigerators rose appreciably, volume in other appliances remained close to a year ago. Increased buying of metal tables and chairs and case goods helped over-all furniture volume remain well over last year. Although retailers reported increases in draperies, sales of linens and floor coverings remained close to a year ago. Further gains occurred in garden implements, hardware, and building materials.

Nationwide Department Store Sales Up 5% For May 30 Week

Department store sales on a country-wide basis as taken from the Federal Reserve Board's Index for the week ended May 30, increased 5% above the like period last year. In the preceding week, for May 23, an increase of 9% was recorded. For the four weeks ended May 30, a gain of 9% was registered.

According to the Federal Reserve System department store sales in New York City for the week ended May 30 showed a 5% increase from that of the like period last year. In the preceding week, May 23, a 10% increase was reported but for May 9, May 2 and April 25 no reports were available due to the United Parcel Delivery Service strike.

Wertheim Underwrites Spiegel's Offering To Stockholders

Spiegel, Inc. is offering to holders of its outstanding common stock the right to subscribe for $15,417,500 principal amount of 5% subordinated debentures due June 1, 1984, at the subscription price of 100%, on the basis of $100 principal amount of debentures for each 12 shares of common stock held of record on June 5, 1959. One right is issued for each share of common stock outstanding and 12 rights are required for the purchase of each $100 principal amount of debentures. The subscription offer will expire at 3:30 p.m., Eastern Daylight Time, on June 22, 1959. Wertheim & Co. is manager of a group that will underwrite the offering by purchasing the unsubscribed portion of the debentures.

The debentures will be convertible, prior to June 1, 1969, into common stock of the company at $46 per share. The debentures are non-callable prior to June 1, 1961. After June 1, 1961 they may be redeemed at the company's option at prices ranging from 105% to par plus accrued interest. A sinking fund designed to retire, prior to maturity, not less than 70% of the issue, commences on June 1, 1970.

Net proceeds from the financing will be added to the general funds of the company and will be available principally to finance the company's increasing accounts receivable.

Spiegel, Inc., with its executive offices in Chicago, Ill., is engaged in the sale of merchandise by mail, principally on a monthly payment plan basis. Merchandise is sold through general catalogs of from 500 to 600 pages published twice yearly. At Dec. 31, 1958 the company operated 165 catalog order offices, catalog order desks and telephone shopping facilities. The company plans to expand its catalog order offices and anticipates opening an additional 20 to 25 new units this year.

For the three months ended March 31, 1959, the company and its subsidiaries had consolidated net sales of $39,112,213 and net profit of $1,888,221, compared with net sales of $25,173,053 and net profit of $173,112 in the like period of 1958.

Upon completion of the current financing, outstanding capitalization of the company will consist of $50,000,000 of 5½% promissory notes, due July 1, 1979; $15,417,500 of 5% subordinated debentures due June 1, 1984; 76,940 shares of cumulative preferred stock, and 1,850,104 shares of common stock.

Spear, Leeds Branch

POINT PLEASANT, N. J.—Spear, Leeds & Kellogg have opened a branch office at 611 Arnold Avenue under the management of William R. Wesson.

Joins First Columbus

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — William E. Deegan is now affiliated with First Columbus Corporation, 42 East Gay Street. He was formerly with The Ohio Company.

Two With Midland Inv.

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio — Robert W. Wagner and William E. Wear are now associated with Midland Investors Company, 1566 Waltham Road. Mr. Wagner was formerly with Livingston, Williams & Co., Inc., of Cleveland.

Walston Co. Adds

(Special to THE FINANCIAL CHRONICLE)

MEDFORD, Oreg. — Richard R. Kyle is now with Walston & Co., Inc., 127 East Sixth Street.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated Steel operations (per cent capacity)	June 14	§94.7	*93.7	92.9	64.0
Equivalent to—					
Steel ingots and castings (net tons)	June 14	§2,681,000	*2,653,000	2,631,000	1,728,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	May 29	7,202,625	7,215,975	7,112,625	6,241,635
Crude runs to stills—daily average (bbls.)	May 29	¶7,888,000	7,891,000	7,702,000	7,487,000
Gasoline output (bbls.)	May 29	28,501,000	*27,569,000	27,141,000	26,438,000
Kerosene output (bbls.)	May 29	1,700,000	1,488,000	1,743,000	1,569,000
Distillate fuel oil output (bbls.)	May 29	12,372,000	12,114,000	12,375,000	11,964,000
Residual fuel oil output (bbls.)	May 29	6,663,000	6,614,000	6,552,000	6,857,000
Stocks at refineries, bulk terminals, in transit, in pipe line					
Finished and unfinished gasoline (bbls.) at	May 29	203,140,000	203,610,000	209,593,000	193,355,000
Kerosene (bbls.) at	May 29	24,630,00	23,212,000	21,076,000	21,469,000
Distillate fuel oil (bbls.) at	May 29	97,544,000	*94,088,000	85,584,000	87,858,000
Residual fuel oil (bbls.) at	May 29	54,669,000	54,484,000	54,500,000	61,383,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	May 30	687,726	685,745	674,123	529,779
Revenue freight received from connections (no. of cars)	May 30	579,559	588,962	588,544	480,849
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 4	$315,700,000	$679,700,000	$403,300,000	$481,351,000
Private construction	June 4	177,900,000	335,600,000	177,900,000	171,720,000
Public construction	June 4	132,800,000	344,100,000	225,400,000	309,631,000
State and municipal	June 4	104,300,000	165,500,000	178,600,000	173,876,000
Federal	June 4	33,500,000	178,600,000	46,800,000	135,755,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	May 30	8,150,000	*8,410,000	8,235,000	7,189,000
Pennsylvania anthracite (tons)	May 30	360,000	320,000	330,000	339,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	May 30	122	*139	141	116
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 6	13,023,000	*12,778,000	12,659,000	11,681,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	June 4	314	264	265	325
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 2	6.196c	6.196c	6.196c	5.967c
Pig iron (per gross ton)	June 2	$66.41	$66.41	$66.41	$66.49
Scrap steel (per gross ton)	June 2	$37.17	$35.83	$33.83	$36.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 3	31.125c	31.125c	31.200c	24.400c
Export refinery at	June 3	29.350c	29.400c	28.575c	22.425c
Lead (New York) at	June 3	12.000c	12.000c	11.500c	11.000c
Lead (St. Louis) at	June 3	11.800c	11.800c	11.300c	10.800c
‡Zinc (delivered) at	June 3	11.500c	11.500c	11.500c	10.500c
Zinc (East St. Louis) at	June 3	11.000c	11.000c	11.000c	10.000c
Aluminum (primary pig. 99.5%) at	June 3	24.700c	24.700c	24.700c	24.000c
Straits tin (New York) at	June 3	104.625c	103.500c	102.625c	94.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 9	83.56	83.52	84.04	95.91
Average corporate	June 9	86.58	86.38	87.99	96.38
Aaa	June 9	89.37	89.64	90.77	103.30
Aa	June 9	88.13	88.27	89.92	99.52
A	June 9	86.24	86.11	88.27	95.77
Baa	June 9	82.03	82.03	93.28	87.86
Railroad Group	June 9	85.33	85.46	87.05	91.77
Public Utilities Group	June 9	85.33	85.32	87.18	97.94
Industrials Group	June 9	88.40	88.40	89.92	99.68
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 9	4.12	4.11	4.06	2.85
Average corporate	June 9	4.68	4.68	4.56	3.98
Aaa	June 9	4.46	4.44	4.36	3.55
Aa	June 9	4.55	4.54	4.42	3.78
A	June 9	4.69	4.70	4.54	4.02
Baa	June 9	5.02	5.02	4.92	4.57
Railroad Group	June 9	4.76	4.75	4.63	4.29
Public Utilities Group	June 9	4.76	4.76	4.62	3.88
Industrials Group	June 9	4.53	4.53	4.42	3.77
MOODY'S COMMODITY INDEX	June 9	390.1	389.2	390.5	400.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	May 30	350,614	297,960	374,448	264,648
Production (tons)	May 30	326,467	317,985	320,662	247,209
Percentage of activity	May 30	97	95	94	83
Unfilled orders (tons) at end of period	May 30	497,831	468,806	507,369	348,600
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	June 5	110.29	110.30	110.64	109.82
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	May 16	2,828,290	3,031,490	2,568,930	1,608,130
Short sales	May 16	457,210	474,190	380,890	332,890
Other sales	May 16	2,407,610	2,546,041	2,202,400	1,303,430
Total sales	May 16	2,864,320	3,020,231	2,583,290	1,636,320
Other transactions initiated off the floor—					
Total purchases	May 16	558,870	468,400	370,890	491,120
Short sales	May 16	57,200	87,900	17,300	67,800
Other sales	May 16	446,100	480,183	429,720	434,080
Total sales	May 16	503,300	568,083	447,020	501,880
Other transactions initiated on the floor—					
Total purchases	May 16	930,640	835,594	770,373	556,505
Short sales	May 16	108,110	130,590	105,750	162,030
Other sales	May 16	877,390	863,625	935,708	659,370
Total sales	May 16	985,500	994,215	1,041,458	821,400
Total round-lot transactions for account of members—					
Total purchases	May 16	4,317,800	4,335,484	3,710,193	2,655,755
Short sales	May 16	622,520	692,680	503,940	562,720
Other sales	May 16	3,731,100	3,889,849	3,567,828	2,396,880
Total sales	May 16	4,353,620	4,582,529	4,071,768	2,959,600
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	May 16	2,018,040	2,278,440	2,084,417	1,206,601
Dollar value	May 16	$105,944,393	$125,781,158	$123,185,441	$51,128,097
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	May 16	1,846,943	1,933,379	1,851,193	1,090,383
Customers' short sales	May 16	7,176	14,167	44,413	27,661
Customers' other sales	May 16	1,839,767	1,919,212	1,846,780	1,062,722
Dollar value	May 16	$94,690,387	$104,855,472	$104,514,177	$44,958,526
Round-lot sales by dealers—					
Number of shares—Total sales	May 16	488,630	485,180	522,970	343,960
Short sales	May 16	—	—	—	—
Other sales	May 16	488,630	485,180	522,970	343,960
Round-lot purchases by dealers— Number of shares	May 16	659,290	774,890	668,420	439,990
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	May 16	741,590	1,173,650	575,360	994,170
Other sales	May 16	1,186,510	18,311,340	17,858,190	13,218,230
Total sales	May 16	19,128,100	19,484,990	18,433,550	14,212,400
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	June 2	119.5	119.5	119.6	119.1
Farm products	June 2	91.1	*91.0	91.4	96.2
Processed foods	June 2	107.3	107.6	107.6	113.0
Meats	June 2	101.5	101.9	102.0	115.0
All commodities other than farm and foods	June 2	127.8	127.8	127.9	125.2

*Revised figure. ¶Includes 958,000 barrels of foreign crude runs. §Based on new annual capacity of 147,633,670 tons as of Jan. 1, 1959, as against Jan. 1, 1958 basis of 140,742,570 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
AMERICAN TRUCKING ASSOCIATION, INC.— Month of March:			
Intercity general freight transported by 363 carriers (in tons)	6,129,746	5,416,274	4,902,838
AMERICAN ZINC INSTITUTE, INC.—Month of May:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	77,489	76,393	71,018
Shipments (tons of 2,000 pounds)	85,348	78,613	51,519
Stocks at end of period (tons)	196,004	203,863	240,670
COKE (BUREAU OF MINES)—Month of April:			
Production (net tons)	6,226,767	*6,399,532	3,836,406
Oven coke (net tons)	6,074,002	*6,262,234	3,802,015
Beehive coke (net tons)	152,765	137,298	34,391
Oven coke stock at end of month (net tons)	3,422,876	*3,586,821	3,721,321
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of April 30:			
Total consumer credit	$44,916	$44,203	$42,617
Instalment credit	34,453	33,943	32,888
Automobile	14,686	14,375	14,691
Other consumer goods	8,777	8,721	8,124
Repairs and modernization loans	2,149	2,127	2,017
Personal loans	8,841	8,720	8,056
Noninstalment credit	10,463	10,260	9,729
Single payment loans	3,674	3,618	3,352
Charge accounts	3,997	3,883	3,772
Service credit	2,792	2,759	2,605
COTTON AND LINTERS — DEPARTMENT OF COMMERCE—RUNNING BALES:			
Consumed month of April	716,820	862,582	729,958
In consuming establishments as of May 2	1,587,497	1,630,798	1,723,210
In public storage as of May 2	9,541,298	10,375,161	9,342,533
Linters—Consumed month of April	102,796	120,909	74,936
Stocks May 2	797,245	846,314	942,509
Cotton spindles active as of May 2	17,945,000	17,637,000	17,602,000
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on May 2	20,402,000	20,409,000	20,942,000
Spinning spindles active on May 2	17,945,000	17,637,000	17,602,000
Active spindle hours (000's omitted) May 2	8,776,000	10,743,000	9,451,000
Active spindle hours for spindles in place Apr.	438.8	429.7	378.0
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1947-49 Average = 100— Month of May:			
Adjusted for seasonal variation	145	*140	134
Without seasonal adjustment	142	*130	130
EDISON ELECTRIC INSTITUTE—			
Kilowatt-hour sales to ultimate customers—Month of March (000's omitted)	51,373,943	51,247,075	46,702,575
Revenue from ultimate customers—month of January	$859,070,000	$872,315,000	$797,337,000
Number of ultimate customers at March 31	56,425,214	56,367,429	55,288,379
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of April:			
Contracts closed (tonnage)—estimated	294,806	254,773	208,161
Shipments (tonnage)—estimated	290,623	260,490	323,574
MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES— Month of March (millions of dollars):			
Inventories—			
Durables	$28,795	*$28,373	$29,864
Nondurables	21,496	*21,488	22,145
Total	$50,291	*$49,861	$52,009
Sales	28,074	*28,481	24,931
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOBILE MANUFACTURERS' ASSN.—Month of May:			
Total number of vehicles	660,361	694,789	424,273
Number of passenger cars	547,326	579,316	349,802
Number of motor trucks	112,660	115,208	74,236
Number of motor coaches	375	265	235
NEW YORK STOCK EXCHANGE— As of April 30 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$3,565,000	$3,458,000	$2,869,255
Credit extended to customers	166,000	153,000	134,440
Cash on hand and in banks in U. S.	359,000	379,000	322,244
Total of customers' free credit balances	1,205,000	1,258,000	984,558
Market value of listed shares	294,255,796	283,201,861	214,039,579
Market value of listed bonds	—	106,638,269	115,750,571
Member borrowings on U. S. Govt. issues	556,000	410,000	449,420
Member borrowings on other collateral	2,332,000	2,095,000	1,995,649
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of April in billions:			
Total personal income	$372.7	*$369.5	$349.7
Wage and salary receipts, total	252.9	*250.2	232.0
Commodity producing industries	102.3	*105.1	95.0
Manufacturing only	84.9	*83.4	74.3
Distributing industries	66.0	65.8	62.4
Service industries	35.1	34.9	33.4
Government	44.5	*44.4	41.2
Other labor income	9.6	9.5	8.9
Business and professional	33.0	*32.8	30.6
Farm	13.5	13.5	15.0
Rental income of persons	12.5	12.5	12.1
Dividends	12.6	12.6	12.4
Personal interest income	20.2	20.0	19.3
Transfer payments	26.2	26.1	26.1
Less employees' contribution for social insurance	7.9	7.8	6.6
Total nonagricultural income	355.2	*352.1	331.0
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1914 = 100—As of April 15:			
All farm products	244	244	257
Crops	223	222	239
Commercial vegetables, fresh	262	284	312
Cotton	264	255	236
Feed, grains and hay	161	155	159
Food grains	205	205	225
Fruit	210	218	262
Oil-bearing crops	225	223	234
Potatoes	135	117	256
Tobacco	505	505	474
Livestock	261	263	272
Dairy products	239	249	239
Meat animals	336	327	339
Poultry and eggs	135	153	171
Wool	220	197	212
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of April:			
Total operating revenues	$856,354,707	$857,914,994	$743,735,819
Total operating expenses	652,676,733	655,547,301	609,877,185
Taxes	94,204,791	95,295,809	71,939,442
Net railway operating income before charges	82,337,327	79,139,549	37,013,809
Net income after charges (estimated)	62,000,000	58,000,000	17,000,000
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of Feb.: (000's omitted):			
Exports	$1,456,300	$1,280,200	$1,552,700
Imports	1,300,900	1,118,100	1,071,000

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Abbott Laboratories
June 3 filed 500 participations in the company's Stock Retirement Plan which may be offered to eligible employees during the next 12 months' period following the effective date of the registration statement, together with 25,000 shares of common stock which may be purchased pursuant to said plan.

● Academy Life Insurance Co.
March 31 filed 310,000 shares of common stock (par 30 cents) to be offered for subscription by common stockholders on the basis of 0.525 shares of additional stock for each share held of record on or about June 12, 1959 (for a 20-day standby). **Price** — To be supplied by amendment. **Proceeds**—For additional working capital. **Office** — 405 Exchange National Bank Bldg., Denver, Colo. **Underwriters**—Boettcher & Co., Inc., and Bosworth, Sullivan & Co., Inc., both of Denver, Colo.

Accurate Specialties, Inc. (6/15-19)
May 12 filed 95,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For additional equipment, operating expenses, working capital and payment of notes. **Underwriters** — Milton D. Blauner & Co., Inc. and Stanley Heller & Co., both of New York.

Advanced Research Associates, Inc.
Dec. 1 filed 400,000 shares of common stock (par five cents). **Price**—$6 per share. **Proceeds**—For research and development program; and for equipment and working capital. **Office** — 4130 Howard Ave., Kensington, Md. **Underwriters** — Wesley Zaugg & Co., Kensington, Md., and Williams, Widmayer Inc., Washington, D. C. Stop order proceedings instituted by the SEC.

● Aerojet-General Corp. (6/26)
May 27 filed 175,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To repay advances from General Tire & Rubber Co. **Office**—6352 North Irwindale Ave., Azusa, Calif. **Underwriter**—Kidder, Peabody & Co., New York.

Alsco, Inc. (6/15-19)
May 15 filed $4,000,000 of 5½% convertible subordinated debentures due June 1, 1974. **Price**—100% of principal amount. **Proceeds**—To reduce short-term bank loans; to liquidate the balance of loans from the Estate of Dora Sugar Weinstock advanced for construction purposes; to prepay an instalment on funded indebtedness; to redeem all outstanding 1,089 shares of $100 par preferred stock of a subsidiary; for capital expenditures; and for working capital. **Office**—225 South Forge St., Akron, Ohio. **Underwriters** — Hirsch & Co. and Bache & Co., both of New York; and Equitable Securities Corp., Nashville, Tenn.

● Alscope Explorations Ltd.
March 26 filed 1,000,000 shares of capital stock, of which 700,000 shares are to be offered publicly in the United States, and 300,000 shares in Canada. **Price**—Related to the then current market price on the Canadian Stock Exchange (31 cents per share on March 16). **Proceeds**—For properties, drilling costs, working capital and general corporate purposes. **Office** — 303 Alexandra Bldg., Edmonton, Canada. **Underwriter**—None in United States; Forget & Forget in Montreal, Canada. Statement effective June 1.

● American Asiatic Oil Corp.
Nov. 24 filed 100,000,000 shares of capital stock. Subsequently reduced by amendment to 20,000,000 shares. **Price**—One and one-quarter cents per share. **Proceeds**—to selling stockholders. **Office** — Magsaysay Building, San Luis, Ermita, Manila, Republic of Philippines. **Underwriter**—Gaberman & Hagedorn, Inc., Manila, Republic of Philippines.

● American Bakeries Co. (6/16)
May 19 filed 60,000 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Office**—919 No. Michigan Ave., Chicago, Ill. **Underwriter**—Merrill Lynch, Pierce, Fenner & Smith, Inc.

● American Commercial Corp. (6/15-22)
May 14 (letter of notification) 250,000 shares of preferred stock (par 50 cents) and 50,000 shares of Class A common stock (par 10 cents) to be offered in units of five shares of preferred stock and one Class A common share. **Price**—$6 per unit. **Proceeds** — For general business purposes. **Office**—744 Broad St., Newark, N. J. **Business**—To finance accounts receivable. **Underwriter**—Phoenix Securities, Montclair, N. J.

American Hospital Supply Corp.
April 20 filed 20,610 shares of common stock (par $2) to be offered in exchange for common stock of Massillon Rubber Co. on the basis of nine shares of American common for one share of Massillon common. **Office**—2020 Ridge Avenue, Evanston, Ill. **Underwriter**—None.

American Telemail Service, Inc.
Feb. 17, 1958, filed 375,000 shares of common stock (par $1). **Price**—$4 per share **Proceeds**—To purchase equipment and supplies and for working capital and other corporate purposes. **Office**—Salt Lake City, Utah. **Underwriter**—Amos Treat & Co., Inc., New York, has withdrawn as underwriter. **Change in Name** — Formerly United States Telemail Service, Inc.

Amican Petroleum & Natural Gas Corp. Ltd.
March 23 filed 745,000 shares of capital stock (no par), of which 500,000 shares are to be sold for the account of the company, and 245,000 shares by the holders thereof. **Price**—30 cents per share. **Proceeds**—For exploration and development program. **Office** — 2100 Scarth Street, Regina, Saskatchewan, Canada. **Underwriter**—Cumberland Securities, Ltd., Regina, Canada.

● Anchorage Gas & Oil Development, Inc.
May 27 filed 450,000 shares of common stock, part of which will be offered, at a price of $1.50 per share, to stockholders of record June 1, 1959, in the ratio of one new share for each three then held. Unsubscribed stock and the balance of the issue will be offered to the public and to holders of stock options. **Office**—134 East Second Ave., Anchorage, Alaska. **Proceeds**—To discharge a bank loan; for drilling and exploration; and for general corporate purposes. **Underwriter** — National Securities Corp., Seattle, Wash. Statement expected to become effective around June 20.

Apache Oil Corp.
May 25 filed 350 units of participation in the Apache Oil Program 1960 and 70,000 rights for the purchase of common stock (par $1.25). The offering is being made only to the stockholders of the company. Each subscription to a unit in Apache Oil Program 1960, will entitle the subscriber to subscribe also to 200 rights for the purchase of one share per right of the company's $1.25 par value common stock. Warrants evidencing the rights will be nontransferable prior to Aug. 16, 1960, and will expire at 2:00 p.m., (CST) on Jan. 31, 1962. Unless Apache Oil Program 1960 commences operations on or before June 30, 1960, all unexercised rights will be void as of 2:00 p.m. (CST) on that date, and their purchase price will be refunded. **Price**—$12,000 per unit. **Proceeds** — For general corporate purposes. **Office** — 523 Marquette Avenue, Minneapolis, Minn. **Underwriter**—APA, Inc., the corporation's subsidiary.

★ Approved Finance, Inc.
June 3 (letter of notification) 12,000 shares of common stock (no par) to be offered to stockholders of record June 16, 1959, on the basis of one new share for each five shares held. Rights expire July 7, 1959. Unsubscribed shares will be offered to the public. **Price**—To stockholders, $20 per share; to public, $21.50 per share. **Proceeds**—To repay 3½% series A subordinated debentures and for working capital. **Office**—246 N. High St., Columbus, Ohio. **Underwriter** — For publicly offered shares, Vercoe & Co., Columbus, Ohio.

Armstrong Uranium Corp.
Jan. 16 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For mining expenses. **Office**—c/o Hepburn T. Armstrong, Round Up Heights, Cheyenne, Wyo. **Underwriter**—Bruno-Lencher, Inc., Pittsburgh, Pa.

● Arnav Aircraft Associates, Inc.
May 14 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—To repay certain indebtedness, to finance increased inventories, for working capital, etc. **Business**—Manufacturers of hydraulic fluid line fittings and related products for the aircraft and missile industries. **Office**—32 Industrial Ave., Little Ferry, N. J. **Underwriter**—Hamilton, Waters & Co., Inc., Hempstead, L. I., N. Y. Offering expected this week.

Associated Bowling Centers, Inc.
Nov. 24 filed 300,000 shares of 20-cent cumulative convertible preferred stock (par one cent) and 50,000 outstanding shares of common stock (par one cent). The preferred shares are to be offered for public sale for the account of the company and the common shares will be offered for the account of a selling stockholder. **Price**—To be supplied by amendment. **Proceeds**—To acquire new bowling centers and increase working capital (part to be used in defraying cost of acquisition of stock of owner of a Brooklyn (N.Y.) bowling center. **Office**—135 Front St., N. Y. **Underwriter** — To be named by amendment. **Offering**—Expected in two weeks.

★ Astronautics Engineering Corp. (7/6)
May 28 (letter of notification) 150,000 shares of common stock (par five cents). **Price**—$2 per share. **Proceeds**—For working capital. **Office**—500 W. 18th St., Hialeah, Fla. **Underwriter** — Charles Plohn & Co., New York, N. Y.

★ Azalea Mobile Homes, Inc.
May 21 (letter of notification) 300,000 shares of class A common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For opening one additional trailer sales lot and for construction cost of mobile home park. **Address**—3455 Highway, Norfolk, Va. **Underwriter**—Palombi Securities Co., Inc., 60 Sutton Place South, New York, N. Y.

● Atlantic Research Corp. (6/11)
March 31 filed 110,000 shares of common stock, of which 100,000 shares are to be offered publicly and 10,000 shares to employees under company's incentive plan. **Price**—$15 per share. **Proceeds**—To reduce short-term bank loans and to provide equipment for development and production of propellant rockets. **Office** — Alexandria, Va. **Underwriter** — Johnston, Lemon & Co., Washington, D. C.

Automatic Canteen Co. of America
March 2 filed 292,426 shares of common stock, of which, the company proposes to issue 126,072 shares to A.M.I. Inc. for the latter's property and assets, and the remaining 166,354 shares are to be issued upon the exercise of stock options. **Underwriter**—None. Statement effective March 31.

Automation Instruments, Inc.
April 27 (letter of notification) 4,584 shares of common stock. **Price**—$6 per share. **Proceeds**—To go to Lester, Ryons & Co. as securities fully and finally paid as an obligation of the company. **Office**—401 E. Green Street, Pasadena, Calif. **Underwriter**—None. No public offering planned.

● Ballard Aircraft Corp.
April 17 filed 300,000 shares of common stock (par $1). **Price** — $3.25 per share. **Proceeds** — To develop and manufacture aircraft embodying the body lift principle, etc. **Underwriter**—Firm originally mentioned has withdrawn. **Note**—SEC to hold hearing June 18 regarding statements in prospectus.

Bankers Preferred Life Insurance Co.
Jan. 30 (letter of notification) 100,000 shares of common stock (par $1.60). **Price**—$3 per share. **Proceeds**—For expenses incidental to operation of an insurance company. **Office**—Suite 619, E. & C. Bldg., Denver, Colo. **Underwriter**—Ringsby Underwriters, Inc., Denver 2, Colo.

Basic Materials, Inc.
April 9 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For mining expenses. **Office**—c/o Harold A. Roberts, President, Arroyo Hondo, Santa Fe, N. Mex. **Underwriter** — Hyder, Rosenthal & Co., Albuquerque, N. Mex.

Bausch & Lomb Optical Co.
May 8 filed $8,542,000 of convertible debentures due 1979, being offered for subscription by common stockholders on the basis of $100 principal amount of debentures for each 10 shares held on June 2, 1959; rights to expire on June 18. **Price**—100% of principal amount. **Proceeds**—To retire all outstanding bank loans maturing Dec. 31, 1959, for working capital and other corporate purposes. **Underwriter** — Stone & Webster Securities Corp., New York.

● Benson-Lehner Corp.
May 4 filed 89,620 shares of common stock, of which 76,620 shares are to be offered for subscription by common stockholders of record June 10, 1959, on the basis of three new shares for each 10 shares then held. Rights expire June 20. **Price**—$6.75 per share. The remaining 13,000 shares will be sold for account of selling stockholders at $7 per share. **Proceeds**—For additional working capital and other general corporate purposes, including research and development. **Office** — 1860 Franklin Street, Santa Monica, Calif. **Underwriter** — Bear, Stearns & Co., New York. No public offering.

Brockton Edison Co. (6/23)
May 7 filed $5,000,000 of first mortgage and collateral trust bonds due April 1, 1989. **Proceeds**—To prepay its short-term bank loans, to purchase $2,014,100 of debenture bonds and $1,665,100 of common stock of Montaup Electric Co., and for construction purposes. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Wood Struthers & Co. (jointly); Kidder, Peabody & Co., White Weld & Co. and Shields & Co. (jointly); Eastman Dillon, Union Securities & Co. **Bids**—Expected to be received up to 11 a.m. (EDT) on June 23.

Brookridge Development Corp.
Dec. 19 (letter of notification) $200,000 of 6% 15-year convertible debentures. **Price**—At par ($500 per unit). **Proceeds**—For expansion and working capital. **Office**—901 Seneca Ave., Brooklyn 27, N. Y. **Underwriter** — Sano & Co., 15 William St., New York, N. Y. **Offering**—Temporarily suspended by SEC.

Buckeye Corp., New York
April 28 filed 192,039 shares of 5% convertible preferred stock, series A, (par $10) and 164,299 shares of common stock (par $1). All of the preferred shares and 99,299 shares of common stock will be issued in connection with certain acquisitions of businesses and assets; the other 65,000 common shares are reserved for issuance under Employee Restricted Stock Options. **Underwriter**—None.

Central American Mineral Resources, S. A.
May 27 filed 620,000 shares of common stock, of which 500,000 shares are to be offered for the account of the company and 120,000 shares for the account of certain selling stockholders. **Price**—$1 per share. **Proceeds**—To finance acquisitions and to increase working capital. **Office**—161 East 42nd St., New York, N. Y. **Underwriter**—None.

★ Central Telephone Co.
June 5 filed 80,000 shares of cumulative preferred stock ($25 stated value). **Price**—$25 per share. **Proceeds**—Together with other funds, will be used to repay advances from Central Electric & Gas Co.; for construction expenditures; for investment in stocks of subsidiaries; and for other corporate purposes. **Office**—144 South 12th St., Lincoln, Neb. **Underwriters**—Paine, Webber, Jackson & Curtis, New York; and Loewi & Co., Inc., Milwaukee, Wis.

Century Brick Corp. of America
April 6 (letter of notification) 150,000 shares of common stock. **Price**—$2 per share. **Proceeds**—To be added to general funds of the company **Office**—1020 G. Daniel Baldwin Building, 1005 State Street, Erie, Pa. **Underwriter**—Summit Securities, Inc., New York, N. Y.

Chattanooga Industrial Development Corp.
March 25 filed 37,500 shares of common stock. **Price**—$20 per share **Proceeds**—For purchase and development of industrial properties and for working capital. **Office**—Chattanooga, Tenn. **Underwriter**—None.

● Chemex Industries, Inc.
May 26 filed 200,500 shares of common stock, of which 170,000 shares are to be offered publicly. The remaining 30,500 shares are subject to sale under stock purchase options granted to employees. **Price**—$3 per share. **Proceeds**—For purchase of properties, for construction of additional warehousing space, and for working capital. **Office**—2822 35th St., Tampa, Fla. **Underwriter**—Pierce, Carrison, Wulbern, Inc., Jacksonville, Fla.

★ Civic Finance Corp.
May 21 (letter of notification) 11,116 shares of common stock (par $2) to be offered on a share-for-share basis to stockholders of Milwaukee Loan & Finance Co. Offer expires on Aug. 1, 1959. **Price** — To be supplied by amendment. **Office**—633 N. Water St., Milwaukee, Wis. **Underwriter**—None.

Colonial Energy Shares, Inc., Boston, Mass.
May 5 filed 1,100,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Underwriters**—White, Weld & Co., New York, and Dean Witter & Co., Los Angeles, Calif.

Colorado Water & Power Co.
Feb. 25 (letter of notification) $220,000 of 6% unsecured debentures due April 1, 1964 and 1,100 shares of common stock (par $1) to be offered in units of $200 of debentures and one share of stock. **Price** — $205 per unit. **Proceeds**—For working capital. **Office**—Suite 421, 901 Sherman Street, Denver, Colo. **Underwriter**—Associated Securities 412 Main Street, Cedar Falls, Iowa.

Commerce Oil Refining Corp.
Dec. 16, 1957 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,000 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Indefinite.

Commercial Investors Corp.
Nov. 28 (letter of notification) 900,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For investment. **Office**—450 So. Main St., Salt Lake City, Utah. **Underwriter**—Earl J. Knudson & Co., Salt Lake City, Utah.

● Compudyne Corp. (6/15-19)
May 15 filed 214,071 shares of common stock (par 25 cents), of which 172,000 shares are to be offered for the account of the company and 42,071 shares for the account of a selling stockholder. **Price**—$3 per share. **Proceeds**—To continue development of products and control techniques for incorporation into the company's present control systems; and for working capital. **Office**—404 South Warminster Rd., Hatboro, Pa. **Underwriters**—Milton D. Blauner & Co., Inc., New York; and Hallowell, Sulzberger, Jenks, Kirkland & Co., Philadelphia, Pa.

● Connecticut Water Co.
May 15 filed 38,986 shares of common stock (no par), of which 38,004 shares are being offered for subscription by common stockholders of record June 3, 1959, at the rate of one new share for each four shares or fractions thereof then held; rights to expire on or about June 23. The remaining 982 shares are to be offered for subscription by employees. **Price**—$16 per share. **Proceeds**—to repay in part the company's outstanding bank loans; to finance part of its 1959 construction program, and for other corporate purposes. **Underwriter**—Putnam & Co., Hartford, Conn.

Consolidated Petroleum Industries, Inc.
April 30 (letter of notification) 80,000 shares of 6% convertible preferred stock (par $3.50) and 80,000 shares of common stock (par 10 cents) to be offered in units of one share of preferred and one share of common. (Preferred stock may be converted into two shares of common stock at any time.) **Price**—$3.75 per unit. **Proceeds**—For development of gas properties. **Office**—908 Alamo National Bank Building, San Antonio, Texas. **Underwriter**—Frank Lerner Co., New York, N. Y.

● Continental Tobacco Co., Inc. (6/15-19)
April 2 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For general corporate purposes. **Office**—607-12th Avenue, Huntington, W. Va. **Underwriter**—Best Securities, Inc., New York.

Cree Mining Corp. Ltd.
April 17 filed 260,000 shares of common stock. **Price**—80 cents per share. **Proceeds**—For exploration program. **Office**—2100 Scarth St., Regina, Saskatchewan, Canada. **Underwriter** — Cumberland Securities Ltd., also of Regina.

★ Crescendo Oil Co., Inc.
June 1 (letter of notification) 300,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For lease, labor, equipment, etc. **Office**—309½ S. Third St., Las Vegas, Nev. **Underwriter**—None.

Crescent Petroleum Corp., Tulsa, Okla.
May 26 filed 48,460 shares of 5% convertible pfd. stock ($25 par) and 12,559 shares of common ($1 par), 34,460 shares of the preferred and 9,059 shares of common are issuable upon the exercise of stock options granted when the assets of Norbute Corp. were acquired on Aug. 6, 1958. **Underwriter**—None.

● Crosby-Teletronics Corp. (6/22-26)
May 22 filed 250,000 shares of common stock (par 25 cents). **Price**—$3.37½ per share. **Proceeds**—For general corporate purposes. **Office**—54 Kinkel St., Westbury, L. I., N. Y. **Business**—Designing, manufacturing and

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NEW ISSUE CALENDAR

June 11 (Thursday)
- Atlantic Research Corp.____Common
  (Johnston, Lemon & Co.) 100,000 shares
- Fedders Corp.____Debentures
  (Offering to stockholders—underwritten by Allen & Co.) $3,815,800
- Gilpin (Henry B.) Co.____Debentures
  (Alex Brown & Sons) $725,000
- Gilpin (Henry B.) Co.____Common
  (Alex Brown & Sons) 17,500 shares
- Telectro Industries Corp.____Common
  (Milton D. Blauner & Co., Inc.) $600,000
- Will Ross, Inc.____Common
  (Blunt Ellis & Simmons) 88,512 shares

June 12 (Friday)
- Spartans Industries, Inc.____Common
  (Shearson, Hammill & Co. and J. C. Bradford & Co.) 200,000 shares

June 15 (Monday)
- Accurate Specialties, Inc.____Common
  (Milton D. Blauner & Co., Inc. and Stanley Heller & Co.) $237,500
- Alsco, Inc.____Debentures
  (Hirsch & Co.; Bache & Co. and Equitable Securities Corp.) $4,000,000
- American Commercial Corp.____Pfd.-Common
  (Phoenix Securities) $300,000
- Compudyne Corp.____Common
  (Milton D. Blauner & Co., Inc. and Hallowell, Sulzberger, Jenks, Kirkland & Co.) $642,213
- Continental Tobacco Co., Inc.____Common
  (Best Securities, Inc.) $125,000
- Federal Equipment Co.____Common
  (Winslow, Cohu & Stetson, Inc.) $300,000
- Ideal Precision Meter Co., Inc.____Common
  (Charles Plohn & Co.) $615,625
- Land Equities, Inc.____Common
  (Ross, Lyon & Co., Inc.) $260,000
- Narda Ultrasonics Corp.____Common
  (Torpie & Saltzman) 20,000 shares
- Precon Electronics Corp.____Common
  (Charles Plohn & Co. and Netherlands Securities Co., Inc.) $875,000
- San Diego Imperial Corp.____Common
  (White, Weld & Co. and J. A. Hogle & Co.) 1,400,000 shares

June 16 (Tuesday)
- Fabrex Corp.____Common
  (Bache & Co.) 300,000 shares
- Reichhold Chemicals, Inc.____Common
  (Blyth & Co., Inc.) 400,000 shares
- St. Joseph Light & Power Co.____Bonds
  (Bids 11 a.m. CDT) $4,500,000
- United Gas Improvement Co.____Bonds
  (Bids 11 a.m. EDT) $10,000,000
- Vocaline Co. of America, Inc.____Common
  (George O'Neill & Co., Inc.) 210,000 shares
- Voss Oil Co.____Common
  (Hill, Darlington & Co.) $1,000,000
- Walter (Jim) Corp.____Common
  (Alex. Brown & Sons) 150,000 shares
- Walter (Jim) Corp.____Bonds
  (Alex. Brown & Sons) $1,250,000

June 17 (Wednesday)
- American Bakeries Co.____Common
  (Merrill Lynch, Pierce, Fenner & Smith Inc.) 60,000 shares
- Food Fair Properties Development Inc.____Bonds
  (Eastman Dillon, Union Securities & Co.) $7,500,000
- Microwave Associates, Inc.____Common
  (Lehman Brothers) 100,000 shares
- Peoples Drug Stores, Inc.____Common
  (Alex. Brown & Sons and Kidder, Peabody & Co.) 121,000 shares
- Polarad Electronics Corp.____Common
  (Kidder Peabody & Co.) 100,000 shares
- Thriftimart, Inc.____Debentures
  (Reynolds & Co., Inc. and Lester Ryons & Co.) $8,000,000

June 18 (Thursday)
- Chicago Burlington & Quincy RR.____Eq. Tr. Ctfs.
  (Bids to be invited) $7,200,000
- Worcester Gas Light Co.____Bonds
  (Bids 11:30 a.m. EDT) $5,000,000

June 19 (Friday)
- Ozark Air Lines, Inc.____Common
  (Offering to stockholders—underwritten by Newhard, Cook & Co. and Yates, Heitner & Woods) $631,084
- Plastic Materials & Polymers, Inc.____Common
  (Filor, Bullard & Smyth) 143,750 shares

June 22 (Monday)
- Crosby-Teletronics Corp.____Common
  (Myron A. Lomasney & Co.) $843,750
- Fanon Electronic Industries, Inc.____Common
  (L. D. Sherman & Co.) $450,000
- Funds for Business, Inc.____Class A
  (Joseph Mandell & Co., Inc. and Robert L. Ferman & Co., Inc.) $750,000
- Herold Radio & Electronics Corp.____Debentures
  (Ira Haupt & Co.; Hirsch & Co. and Amos Treat & Co., Inc.) $1,500,000
- Jefferson Wire & Cable Corp.____Common
  (Charles Plohn & Co. and Netherlands Securities Co., Inc.) $375,000
- Medearis Industries, Inc.____Common
  (Amos Treat & Co. Inc.) $750,000
- Micronaire Elec. Med. Prods. Corp.____Com. & Warr.
  (General Investing Corp.) $550,000
- Philip Morris Inc.____Debentures
  (Lehman Brothers and Glore, Forgan & Co.) $40,000,000
- Radar Design Corp.____Common
  (Charles Plohn & Co.) $360,000
- Smith (H. C.) Oil Tool Co.____Common
  (William R. Staats & Co.) 100,000 shares
- Telemeter Magnetics, Inc.____Common
  (Lehman Brothers; Hallgarten & Co. and Hemphill, Noyes & Co.) 150,000 shares
- Wellington Electronics, Inc.____Common
  (Charles Plohn & Co.) $1,440,000
- Worthington Products, Inc.____Debens. & Com.
  (B. Fennekohl & Co.) $150,000

June 23 (Tuesday)
- Brockton Edison Co.____Bonds
  (Bids 11 a.m. EDT) $5,000,000
- Northern Illinois Gas Co.____Bonds
  (Bids 10 a.m. CDT) $20,000,000

June 24 (Wednesday)
- Montecatini Italy____Debentures
  (Lazard Freres & Co., Lehman Brothers and Kuhn, Loeb & Co.) $10,000,000
- Oklahoma Cement Co.____Debentures-Common
  (Laird & Co. Corp.)
- Ryan Aeronautical Co.____Common
  (Dean Witter & Co.) 330,000 shares
- Southern Pacific Co.____Equip. Tr. Ctfs.
  (Bids to be invited) $6,000,000
- Toronto (Municipality of Metropolitan) Canada____Debentures
  (Harriman Ripley & Co. Inc. and The Dominion Securities Corp.) $39,982,000
- Wesco Financial Corp.____Common
  (Goldman, Sachs & Co. and William Blair & Co.) 387,300 shs.

June 25 (Thursday)
- Central Telephone Co.____Preferred
  (Paine, Webber, Jackson & Curtis and Loewi & Co., Inc.) $2,000,000
- International Recreation Corp.____Common
  (Paine, Webber, Jackson & Curtis) $17,150,000
- Mississippi Power Co.____Bonds
  (Bids 11 a.m. EDT) $5,000,000

June 26 (Friday)
- Aerojet-General Corp.____Common
  (Kidder, Peabody & Co.) 175,000 shares
- General Precision Equipment Corp.____Preferred
  (Offering to stockholders—underwritten by The First Boston Corp. and Tucker, Anthony & R. L. Day) 105,927 shares

June 29 (Monday)
- Superior Window Co.____Preferred
  (Cruttenden, Podesta & Co.) $500,000
- Superior Window Co.____Class A Common
  (Cruttenden, Podesta & Co.) $500,000

June 30 (Tuesday)
- Montreal Canada____Debentures
  (Bids to be invited) $20,000,000

July 1 (Wednesday)
- Investors Funding Corp. of New York____Debens.
  (Offering not underwritten) $500,000

July 3 (Friday)
- Plastic Wire & Cable Corp.____Common
  (Offering to stockholders—underwritten by Putnam & Co.) 40,000 shares

July 6 (Monday)
- Astronautics Engineering Corp.____Common
  (Charles Plohn & Co.) $300,000
- Financial Federation, Inc.____Common
  (Kidder, Peabody & Co.) 300,000 shares
- First National Life Insurance Co.____Common
  (Blair & Co. Inc.) $900,000
- Taft Broadcasting Co.____Common
  (Harriman Ripley & Co. Inc.) 483,332 shares
- Tang Industries, Inc.____Common
  (David Barnes & Co., Inc.) $330,000
- Tape Cable Electronics Co., Inc.____Common
  (Charles Plohn & Co. and Netherlands Securities Co., Inc.) $412,500
- Technical Operations, Inc.____Common
  (Bear, Stearns & Co.) 75,000 shares

July 7 (Tuesday)
- Northrop Corp.____Debentures
  (William R. Staats & Co. and Blyth & Co., Inc.) $10,000,000

July 9 (Thursday)
- Union Light, Heat & Power Co.____Bonds
  (Bids 11 a.m. EDT) $6,000,000

July 13 (Monday)
- Dilbert Properties____Debentures
  (S. D. Fuller & Co.) $4,506,500
- Mallinckrodt Chemical Works____Debentures
  (Newhard, Cook & Co.) $6,000,000

July 14 (Tuesday)
- Jersey Central Power & Light Co.____Bonds
  (Bids 11 a.m. EDT) $8,000,000

July 22 (Wednesday)
- Northern States Power Co. (Minn.)____Common
  (Offering to stockholders—bids to be invited) 714,000 shares

August 4 (Tuesday)
- Pennsylvania Electric Co.____Bonds
  (Bids to be invited) $15,000,000

September 17 (Thursday)
- Georgia Power Co.____Bonds
  (Bids to be invited) $18,000,000

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conducting research and development of highly technical and specialized electrical and electronic equipment. **Underwriter**—Myron A. Lomasney & Co., New York.

★ Crusader Life Insurance Co., Inc.
June 3 (letter of notification) 1,000 shares of common stock (par $50)to be offered for subscription by stockholders of record April 30, 1959, on the basis of one new share for each two shares held. Rights expire Aug. 25, 1959. Unsubscribed shares will be offered to the public. **Price**—$150 per share. **Proceeds**—For working capital. **Office**—640 Minnesota Ave., Kansas City, Kan. **Underwriter**—None.

Crusader Oil & Gas Corp., Pass Christian, Miss.
May 26 filed 1,500,000 shares of common stock, of which 641,613 shares will be offered on a one-for-one basis to stockholders of record May 15, 1959. The remaining 858,387 shares will be offered publicly by the underwriter on a "best efforts" basis. **Price**—To be supplied by amendment. **Proceeds**—For repayment of notes and for working capital. **Underwriter** — To be supplied by amendment.

Dalton Finance, Inc.
March 9 filed $500,000 of 7% subordinated debentures, due Jan. 2, 1974, with attached warrants for the purchase of 100,000 shares of class A common stock. **Price**—At face amount (in units of $500 each). **Proceeds**—To finance making of additional loans and to reduce short-term debt. **Office**—3800-34th St., Mt. Rainier, Md. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill., on a best efforts basis.

★ DeKalb-Ogle Telephone Co.
May 27 (letter of notification) 19,822 shares of common stock to be offered to stockholders of record June 10, 1959, on the basis of one new share for each 10 shares then held with an oversubscription privilege. Rights expire on July 17, 1959. **Price** — At par ($10 per share). **Proceeds**—For a construction program. **Office**—112 W. Elm St., Sycamore, Ill. **Underwriter**—None.

DIT-MCO, Inc.
April 15 filed 30,000 outstanding shares of common stock, only about 16,000 shares are to be offered. **Price**—$10.50 per share. **Proceeds**—To selling stockholders. **Office**—911 Broadway, Kansas City, Mo. **Underwriter**—Midland Securities Co., Inc., Kansas City, Mo.

Diversified Inc., Amarillo, Texas
Jan. 6 filed 300,000 shares of common stock (par 50 cents). Price—$3 per share. Proceeds—For acquisition of undeveloped real estate, for organization or acquisition of consumer finance business, and balance to be used for working capital. Underwriter — Investment Service Co., Denver, Colo., on a best efforts basis.

Drexelbrook Associates
May 22 filed $2,000,000 of partnership interests, to be offered in units. **Price**—$10,000 per unit. **Proceeds**—To be used for various acquisitions. **Office** — Broad & Chestnut Streets, Philadelphia, Pa. **Underwriter**—None.

Eckert Mineral Research, Inc.
March 27 (letter of notification) 150,000 shares of common stock (par 50 cents). **Price**—$2 per share. **Proceeds**—For mining and selling of ore. **Office**—110 E. Main St., Florence, Colo.. **Underwriter**—Harris Securities Corp., New York, N. Y.

Electric City Supply Co.
April 6 (letter of notification) 300,000 shares of class A common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For inventory, equipment, working capital, etc. **Office**—901 S. Lake Street, Farmington, N. Mex. **Underwriter**—Investment Service Co., Denver, Colo.

Emery Industries, Inc.
May 21 filed $6,103,700 of 4¾% convertible subordinated debentures due July 1, 1979, to be offered for subscription by common stockholders of record June 5, 1959, at the rate of $100 of debentures for each eight shares of common stock then held; rights to expire on June 30. **Price**—At par. **Proceeds**—To repay outstanding bank loans and for general corporate purposes. **Office**—Carew Tower, Cincinnati, Ohio. **Underwriter**—None.

• Empire Millwork Corp., Corona, N. Y.
April 17 filed 95,000 outstanding shares of common stock. **Price** — $10.25 per share. **Proceeds** — To selling stockholders. **Underwriter**—None. No public offering will be made.

★ Employees Benefit Co., Inc.
May 25 (letter of notification) 9,969 shares of 6% non-cumulative preferred stock. **Price** — At par ($10 per share). **Proceeds** — For working capital. **Office**—6223 Blair Rd., N. W., Washington, D. C. **Underwriter**—None.

Enamo-Bord Products Inc.
May 14 (letter of notification) 61,708 shares of class A common stock (par 50 cents) to be offered to stockholders. Unsubscribed shares will be offered to the public. **Price**—$2.50 per share. **Proceeds**—For working capital and to obtain new dealerships. **Office** — East 2626 Trent Ave., Spokane, Wash. **Underwriter**—Pacific Inter-Mountain Securities, Inc., for any publicly offered shares.

Equity Annuity Life Insurance Co.
April 21 filed $1,000,000 of Variable Annuity Policies. **Price**—No less than $120 a year for annual premium contracts and no less than $1,500 for single premium contracts. **Proceeds**—For investment, etc. **Office**—2480 16th Street, N. W., Washington, D. C. **Underwriter**—None.

Fabrex Corp. (6/16)
May 21 filed 300,000 shares of capital stock (par $1), of which 150,000 shares are to be sold for account of the company and 150,000 shares for certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To prepay outstanding obligations and for general corporate purposes. **Business**—Textile converting. **Office**—115 West 40th St., New York, N. Y. **Underwriter**—Bache & Co., New York.

★ Fairey Co. Ltd. (England)
June 8 filed American Depositary Receipts for 80,000 Ordinary Registered Shares. **Depositary**—Morgan Guaranty Trust Co., of New York.

• Fanon Electronic Industries, Inc. (6/22-26)
May 29 filed 150,000 shares of common stock (par 20 cents). **Price**—$3 per share. **Proceeds**—To retire an outstanding bank loan; and the balance will provide working capital to finance increased inventories and accounts receivable. **Office**—98 Berriman St., Brooklyn, N. Y. **Underwriter**—L. D. Sherman & Co., New York.

Farmers Mutual Telephone Co. of Clarinda
May 19 (letter of notification) 1,531 shares of common stock (par $100) to be offered to stockholders for a period of 60 days at book value as reflected by the company's books at the end of each 30-day period on a pro rata basis of one-half share for each share now held. Unsubscribed shares will be offered to the public. **Price**—Estimated at $140 per share. **Proceeds**—Working capital, etc. **Office**—106-108 W. Chestnut St., Clarinda, Iowa.

• Fedders Corp., Long Island, N. Y. (6/11)
May 12 filed $3,815,800 of sinking fund subordinated debentures, due May 31, 1979, with warrants to purchase 152,632 shares of common stock to be offered for subscription by common stockholders in units of $100 of debentures with warrant for the purchase of four shares of stock at the rate of one unit for each 50 shares held on June 11, 1959; rights to expire on June 29. **Price**—$100 per unit. **Proceeds**—To be used for the most part for the purchasing of products by company's distributors and dealers; and the balance will be used for general corporate purposes. **Underwriter** — Allen & Co., New York.

★ Federal Equipment Co. (6/15)
May 22 (letter of notification) 100,000 shares of common stock (no par). **Price**—$3 per share. **Proceeds**—To acquire all of the capital stock of Byer's Lumber Co., Inc. and for working capital. **Office**—North West & Lincoln Sts., Carlisle, Pa. **Underwriter**—Winslow, Cohu & Stetson, Inc., New York, N. Y.

Finance For Industry, Inc.
Dec. 16 filed 200,000 shares of class A common stock. Price—At par ($1.50 per share). Proceeds—For working capital. Office—508 Ainsley Bldg., Miami, Fla. Underwriter — R. F. Campeau Co., Penobscot Bldg., Detroit, Mich.

• Financial Federations, Inc. (7/6)
May 27 filed 300,000 shares of capital stock (par $1). A portion thereof (unspecified; to be supplied by amendment) is to be offered for the account of the company and the balance for certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To repay a bank loan and for working capital. **Office**—210 West Seventh St., Los Angeles, Calif. **Underwriter**—Kidder, Peabody & Co., New York.

★ First National Life Insurance Co. (7/6)
June 4 filed 75,000 shares of common stock (par $4). **Price**—$12 per share. **Proceeds**—To increase capital and surplus. **Office**—1230 East Camelback, Phoenix, Ariz. **Underwriter**—Blair & Co., Inc., New York.

Flintkote Co., New York
May 20 filed 227,368 shares of common stock, of which 173,286 shares are to be offered to certain officers and key employees of Flintkote and its subsidiaries under the "Flintkote Stock Option Plan"; 16,771 shares are subject to options granted by Flintkote in substitution for options granted by Orangeburg Manufacturing Co., Inc., to certain of its officers and key employees; and 37,311 shares are subject to options granted in substitution of options granted by Blue Diamond Corp. to certain of its officer and key employees. Flintkote acquired all the assets of Orangeburg in December, 1958, in exchange for 132,416 shares of preferred stock; and on May 14, 1959, it issued 615,617 common shares upon the merger of Blue Diamond into Flintkote.

★ Flintkote Co.
June 4 filed 143,789 shares of common stock. This company on June 17 will acquire all the assets of The Glen Falls Portland Cement Co. (of New York) in exchange for 369,858 shares of Flintkote Co. The 143,789 shares of stock are to be received by certain shareholders of Glen Falls. **Price** — To be related to the then current market or current price on the New York Stock Exchange. **Proceeds** — To selling stockholders. **Underwriter**—None.

Fluorspar Corp. of America
Feb. 5 (letter of notification—as amended) 300,000 shares of common stock. Price—At par ($1 per share). Proceeds—For mining expenses. Office—4334 S. E. 74th Ave., Portland 6, Ore. Underwriter—Evergreen Securities, Inc., 4314 N. E. 96th Ave., Portland, Ore.

• Food Fair Properties Development Inc. (6/17)
May 5 filed together with Food Fair Properties Inc. (1) $7,500,000 of 25-year collateral trust bonds, due May 15, 1984 of Food Fair Properties Development, Inc. and (2) warrants for the purchase of shares of common stock of Food Fair Properties. It is proposed to offer these securities in units totaling 150,000, with each unit consisting of a $50 bond and a warrant entitling the purchase of 5 shares of common stock. Warrants will be valid up to May 1969. **Price** — To be determined by amendment. **Proceeds**—To be used for loans to subsidiaries. **Office**—Philadelphia, Pa. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

Food Fair Properties, Inc.
See Food Fair Properties Development Inc., above.

★ Foodco Realty, Inc.
June 1 (letter of notification) 1,200 shares of preferred stock. **Price**—At par ($25 per share). **Proceeds**—To purchase land; construction of a warehouse and factory and for working capital. **Office**—922 Jefferson St., P. O. Box 1059, Lynchburg, Va. **Underwriter**—None.

Franklin Electric Co., Inc.
May 12 filed 40,000 shares of common stock (no par), of which 20,000 shares are to be offered for account of company, and 20,000 shares for the account of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To be advanced to a subsidiary for the purpose of constructing an addition to a building now being leased from the subsidiary. **Office** — 400 East Spring Street, Bluffton, Ind. **Underwriter**—Fulton Reid & Co., Inc., Cleveland, Ohio.

Fran-Well, Inc.
May 25 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—100 E. Minner St., Oildale, Calif. **Underwriter**—None.

• Funds For Business, Inc. (6/22-26)
May 8 filed 500,000 shares of class A stock (par 50 cents). **Price**—$1.50 per share. **Proceeds**—For working capital. **Office**—120 East 41st Street, New York. **Underwriters**—Joseph Mandell & Co., Inc., New York; and Robert L. Ferman & Co., Inc., Miami, Fla.

Futterman-Dupont Hotel Co.
May 22 filed $1,706,900 of Limited Partnership Interests, to be offered in units. **Price**—$25,000 per unit. **Proceeds**—To repay monies borrowed for the purpose of closing title and paying incidental expenses in acquiring the Dumont Plaza Hotel in Washington, D. C. **Office**—580 Fifth Avenue, New York, N. Y. **Underwriter**—None.

Gate City Steel Co., Inc., Omaha, Neb.
May 26 filed $1,250,000 6% sinking fund debentures, series A, due May 1, 1969, of which $350,000 will be offered, on an exchange basis, for a like amount of 5% debentures which the company plans to retire. The remaining $900,000 debentures will be offered publicly. **Price**—Par. **Proceeds**—For advances to company's subsidiary, Moffett Engineering, Inc.— **Underwriter**—First Trust Co. of Lincoln, Neb.

• General American Transportation Corp.
May 25 filed 107,491 shares of common stock (par $1.25). These shares were issued pursuant to a March, 1959, contract whereby the company acquired the issued and outstanding capital stock of Traylor Engineering & Manufacturing Co.

General Aniline & Film Corp., New York
Jan. 14, 1957 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). Proceeds—To the Attorney General of the United States. Underwriter—To be determined by competitive bidding. Probable bidders: Blyth & Co. Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co.; Lehman Brothers, and Glore, Forgan & Co. (jointly). Bids—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Merchandising Corp., Memphis, Tenn.
Feb. 18 filed 250,000 shares of class "A" common stock (par one cent). **Price**—$10 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter** — Union Securities Investment Co., Memphis, Tenn. Statement effective April 24.

General Precision Equipment Corp. (6/26)
May 26 filed 105,927 shares of cumulative convertible preference stock ($50 liquidating value) to be offered for subscription by holders of the company's common stock and holders of its $1.60 cumulative convertible preference stock, in the ratio of one share of new preferred for each 11 shares of common stock held on June 26; rights to expire on July 13. Each holder of the $1.60 preference series will have the right to subscribe for the new stock in the ratio of one new share for each 16½ shares of $1.60 preference stock held on June 26; rights to expire on July 13. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriters**—The First Boston Corp., and Tucker, Anthony & R. L. Day, both of New York.

General Underwriters Inc.
April 6 (letter of notification) 225,000 shares of common capital stock (par 25 cents). Of the total, 195,000 shares are to be offered for the account of the company and 30,000 shares for a selling stockholder. **Price**—$1 per share. **Proceeds**—For furniture inventory and improved merchandising methods, to finance the real estate department and insurance policy loans. **Office**—211-215 Pine St., Pine Bluff, Ark. **Underwriter**—Lovan Securities Co., Inc., Pine Bluff, Ark.

General Waterworks Corp.
March 31 filed 16,131 shares of $5 voting preferred stock (par $100) and 66,131 shares of 80-cent dividend voting second preferred stock (convertible—par $1). The company proposes to offer one share of the 80-cent dividend second preferred stock for each share of New Rochelle Water Co. and one share of its $5 preferred and one share of the 80-cent dividend second preferred for each share of New Rochelle $3.50 preferred (including accumulated unpaid dividends from November, 1950). The offer is conditioned upon acceptance by holders of 80% of New Rochelle stock. **Office**—3219 Philadelphia Pike, Claymont, Del. Statement effective May 12.

Giant Food Properties, Inc., Washington, D. C.
May 19 filed $680,000 5½% sinking fund debentures (GT series), due Dec. 1, 1971, together with 74,800 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To Richard Borden Industries, Inc., the selling stockholder. **Underwriters**—Auchincloss, Parker & [illegible] hington, D. C.; and Kidder, Peabody & Co., New York.

● Gilpin (Henry B.) Co., Baltimore, Md. (6/11)
May 19 filed $725,000 6% convertible subordinated debentures due June 1, 1974, and 17,500 shares of class A common stock (no par). **Price** — To be supplied by amendment. **Proceeds**—To repay notes payable and for other corporate purposes. **Underwriter**—Alex. Brown & Sons, Baltimore, Md.

Glasco Corp., Muncie, Ind.
May 25 filed 100,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—To be added to the general funds of the company and be used, together with retained earnings, to maintain its program of research and development in the over-all field of commercial refrigeration and more particularly in that of general vending-machine design; and to reduce or eliminate the necessity for seasonal short-term bank borrowings. **Underwriter**—Smith, Hague & Co., Detroit, Mich.

Government Employees Variable Annuity Life Insurance Co.
Nov. 13 filed 2,500,000 shares of common stock (par $1) to be offered by company viz: (1) to holders of common stock (par $4) of Government Employees Insurance Co., on the basis of one warrant per share of stock held (1,-334,570 shares are now outstanding); (2) to holders of common stock (par $1.50) of Government Employees Life Insurance Co., on the basis of 1½ warrants per share of stock held (216,429 shares are now outstanding); and (3) to holders of common stock (par $5) of Government Employees Corp., on the basis of ½ warrant per share of stock held (as of Dec. 31, 1958 there were 143,703 shares of stock outstanding and $589,640 of 5% convertible capital debentures due 1967, convertible into shares of common at $28.0374 per share. If all these debentures were converted into common stock prior to the record date, a total of 164,733 common shares would be outstanding. **Price**—$3 per share. **Proceeds**—For capital and surplus. **Office**—Government Employees Insurance Bldg., Washington, D. C. **Underwriters** — Johnston, Lemon & Co., Washington, D. C.; Eastman Dillon, Union Securities & Co., New York; and Abacus Fund, Boston, Mass. **Offering**—Indefinitely postponed.

● Greenwich Gas Co.
May 22 (letter of notification) 23,000 shares of common stock (no par) being offered to stockholders of record June 1, 1959 on the basis of one new share for each eight shares then held with additional subscription rights subject to allotment. Rights expire June 19. Unsubscribed shares will be offered to the public. **Price**—$12.50 per share. **Proceeds**—To pay bank loans and for working capital. **Office**—33 Greenwich Ave., Greenwich, Conn. **Underwriter**—F. L. Putnam & Co., Inc., Boston, Mass.

Hamilton Cosco, Inc., Columbus, Ind.
June 3 filed 50,000 shares of common stock (no par—$3 stated value per share). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—City Securities Corp., Indianapolis, Ind.

★ Hathaway Industries, Inc.
June 9 filed 300,000 outstanding shares of common stock. These shares are part of the 672,990 shares (53.43%) held by Seaboard Allied Milling Corp. Seaboard plans to offer 100,000 shares for sale to the business associates and employees of Hathaway Industries at $6 per share. In addition, Seaboard may wish to sell publicly the remaining 200,000 shares, or a portion thereof, on the American Stock Exchange, or otherwise, at prices current at the time of such sales. **Proceeds**—To selling stockholder, Seaboard Allied Milling Corp. **Office**—Hathaway St., Syracuse, N. Y. **Underwriter**—None.

Hausman Steel Co., Toledo, Ohio
June 2 filed 80,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds** — To retire short term bank loans, for general corporate purposes and for expansion of the company's business. **Underwriters**—Howard, Weil, Labousse, Friedrichs & Co., New Orleans, La.; and The Ohio Company, Columbus, Ohio.

★ Highway Trailer Industries, Inc.
June 9 filed 1,105,294 shares of common stock to be offered for subscription by present stockholders at the rate of one new share for each two shares held. **Price**—To be supplied by amendment. **Proceeds**—To be used for new equipment and plant improvement; to be used for inventory and production requirements of the Hazelton, Pa., plant and the increased production of the Edgerton, Wis., plant; and for discharge of bank loan and other corporate purposes. **Office**—250 Park Ave., New York, N. Y. **Agents**—Allen & Co. and Van Alstyne, Noel & Co., both of New York.

Hercon Electronics Corp.
May 21 (letter of notification) 100,000 shares of common stock (par one cent). **Price**—$3 per share. **Proceeds**—To defray expenses; to pay outstanding notes; to purchase equipment and to further manufacturing facilities. **Office**—481 Washington St., Newark, N. J. **Name Change**—Company formerly was known as Hermetic Connector Corp. **Underwriter**—Richard Bruce & Co., Inc., 26 Broadway, New York, N. Y.

● Herold Radio & Electronics Corp. (6/22)
May 18 filed $1,500,000 of 6% convertible subordinated debentures due June 15, 1974. **Price**—100% of principal amount. **Proceeds**—To reduce notes payable, excise taxes, payroll taxes and other current liabilities. **Office**—716 South Columbus Ave., Mount Vernon, N. Y. **Underwriters**—Ira Haupt & Co., Hirsch & Co. and Amos Treat & Co., Inc., all of New York.

Hickerson Bros. Truck Co., Inc.
March 11 (letter of notification) 285,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To pay existing liabilities; for additional equipment; and for working capital. **Office**—East Tenth Street, P. O Box 68, Great Bend, Kan. **Underwriter**—Birkenmayer & Co., Denver, Colo.

● Hoffman Motors Corp.
March 9 filed 250,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—To selling stockholder. **Underwriter**—Van Alstyne, Noel & Co., New York. Offering—Postponed indefinitely.

★ Holmes (D. H.) Co. Ltd.
June 5 filed 14,780 shares of capital stock to be offered to present stockholders on the basis of one new share for each 14 shares held of record June 25, 1959. **Price**—$37.50 per share. **Proceeds**—For expansion program, for working capital and other corporate purposes. **Office**—New Orleans, La. **Underwriter**—Arnold & Crane, New Orleans.

Household Gas Service, Inc., Clinton, N. Y.
May 25 (letter of notification) 5,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For repayment of debt; purchase of equipment and for working capital. **Underwriter**—Mohawk Valley Investing Co., Inc., Utica, N. Y.

★ Hudson Radio & Television Corp.
June 8 filed 200,000 shares of capital stock, of which 125,000 shares are to be offered for the account of the company and 75,000 shares for the account of a selling stockholder. **Price** — To be supplied by amendment. **Proceeds**—To be utilized in reduction of obligations, the acquisition and/or development of additional inventory lines, warehousing facilities and sales outlets; the adoption of various sales promotional programs, and as additional working capital. **Office**—37 West 65th St., New York, N. Y. **Underwriter**—None.

★ Hunter Mountain Development Corp., Hunter, N. Y.
June 5 filed $690,000 of 6% subordinated debentures due July 1, 1969, and 69,000 shares of common stock (par 10 cents) to be offered in units, each unit consisting of a $50 debenture and 5 shares of common stock. **Price**—$50 per unit. **Proceeds** — For purchase of equipment, for building of lodge, and for other corporate purposes. **Underwriter**—Myron A. Lomasney & Co., New York.

● Ideal Precision Meter Co., Inc. (6/15-19)
May 19 filed 137,500 shares of common stock (par 10 cents). **Price**—$3.75 per share. **Proceeds**—For planned expenditures and working capital, and for payment of certain indebtedness. **Office** — 126 Greenpoint Avenue, Brooklyn, N. Y. **Underwriter**—Charles Plohn & Co., New York.

★ Imperial Corp.
May 26 (letter of notification) 218,950 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office** — 704 Simms Bldg., Albuquerque, N. M. **Underwriter**—None.

Imperial Growth Fund, Inc.
March 2 filed 600,000 shares of common stock. **Price**—At market. **Proceeds** — For investment. **Office** — 60 Marquette Ave., Minneapolis, Minn. **Underwriter** — Minneapolis Associates, Inc., Minneapolis, Minn.

★ Industrial Leasing Corp.
June 1 (letter of notification) $200,000 subordinated convertible 6% debentures ($1,000 denomination) and $50,000 subordinated convertible 6% debentures ($500 denomination). **Price**—100% of principal amount **Proceeds**—For working capital. **Office**—522 S. W. 5th Ave., Portland 4, Ore. **Underwriter**—May & Co., Portland, Ore.

Information Systems, Inc., Skokie, Ill.
April 21 filed 170,000 shares of common stock to be offered for subscription by common stockholders of Panellit, Inc., at rate of one new share for each three Panellit common shares held of record May 15, 1959. **Price**—$3.50 per share. **Proceeds**—To pay notes, for research and development costs; and working capital. **Underwriter**—None.

Instruments for Industry, Inc.
May 22 (letter of notification) 100,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—For working capital. **Office** — 101 New South Road, Hicksville, L. I., N. Y. **Underwriter**—D. A. Lomasney & Co., New York, N. Y.

International Bank, Washington, D. C.
Dec. 29 filed $5,000,000 of notes (series B, $500,000, two-year, 3% per unit; series C, $1,000,000, four-year 4% per unit; and series D, $3,500,000, 6-year, 5% per unit). **Price**—100% of principal amount. **Proceeds** — For working capital. **Underwriter**—Johnston, Lemon & Co., Washington, D. C. **Offering**—Indefinitely postponed.

★ International Management Corp., Norfolk, Va.
May 7 (letter of notification) 222,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital and general purposes. **Underwriter**—None.

International Railroads Weighing Corp.
April 16 (letter of notification) 82,626 shares of common stock (par $1) to be offered for subscription by common stockholders at rate of one new share for each four shares held. **Price**—$3 per share. **Proceeds** — For research and development costs and working capital **Office**—415 Spruce St., Hammond, Ind. **Underwriter**—None.

International Recreation Corp. (6/25)
May 14 filed 2,750,000 shares of common stock (par 50 cents). The issue was later reduced by amendment to 980,000 shares. **Price**—$17.50 per share. **Proceeds**—For construction and acquisition. **Office**—60 State St., Boston, Mass. **Underwriter**—Paine, Webber, Jackson & Curtis, New York and Boston.

International Tuna Corp.
April 3 (letter of notification) 175,000 shares of class A common stock (par 50 cents). **Price** — $1 per share **Proceeds**—For equipment and working capital. **Office**—Pascagoula, Miss. **Underwriter**—Gates, Carter & Co., Gulfport, Miss.

● Investors Funding Corp. of New York (7/1)
Feb. 17 filed $500,000 of 10% subordinated debentures due July 31, 1964, to be offered in units of $1,000. **Price**—At 100% of principal amount. **Proceeds**—For investment. **Office**—511 Fifth Ave., New York, N. Y. **Underwriter**—None.

Irando Oil & Exploration, Ltd.
April 24 filed 225,000 shares of common stock. **Price**—90 cents per share. **Proceeds**—To defray the costs of exploration and development of properties and for the acquisition of other properties; also for other corporate purposes. **Office**—1950 Broad St., Regina, Sask., Can. **Underwriter** — Laird & Rumball, Regina, Sask., Can.

Jefferson Wire & Cable Corp. (6/22-26)
May 27 filed 100,000 shares of common stock (no par). **Price**—$3.75 per share. **Proceeds** — To pay off various indebtedness, for purchase of machinery, equipment and raw materials, for plant facilities, for sales promotion, and for working capital. **Office**—Sutton, Mass. **Underwriters**—Charles Plohn & Co. and Netherlands Securities Co., Inc., both of New York.

Jersey Central Power & Light Co. (7/14)
May 21 filed $8,000,000 of first mortgage bonds due July 1, 1989. **Proceeds**—To be applied to the cost of the company's 1959 construction program or to reimburse the company's treasury for expenditures for that purpose. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co.; Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Smith, Inc. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on July 14.

● Kaiser Aluminum & Chemical Corp.
May 11 filed 64,028 shares of 4¾% cumulative convertible (1959 series) preference stock (par $100) and 128,-051 shares of common stock (par 33⅓ cents) issued in exchange for the outstanding stock of Mexico Refractories Co. through merger. **Proceeds**—To selling stockholders. **Underwriter**—None. Statement effective June 5.

● Kaltman (D.) & Co., Inc. (6/11)
May 13 filed 1,406,141 shares of common stock (par 50 cents) to be offered by Noma Lites, Inc., to the holders of its 745,184 outstanding common shares at the rate of 1.9 shares of Kaltman common for each share of Noma common stock held on June 10; rights to expire on June 26. **Price**—To be supplied by amendment. **Proceeds** — To selling stockholder. **Underwriter** — Bear, Stearns & Co., New York.

★ Kilroy (W. S.) 1960 Co.
June 8 filed $3,500,000 of Participating Interests under Participant Agreements in the company's 1960 Oil and Gas Exploration Program, to be offered in amounts of $25,000 or more. **Proceeds**—Acquisition of undeveloped oil and gas properties. **Office**—2306 Bank of the Southwest Bldg., Houston Texas. **Underwriter**—None.

Land Equities, Inc., Santa Monica, Calif. (6/15-19)
May 12 (letter of notification) 200,000 shares of class A common stock (par one cent). **Price**—$1 per share. **Proceeds**—For general corporate purposes. **Underwriter**—Ross, Lyon & Co., Inc., New York, N. Y.

Laure Exploration Co., Inc., Arnett, Okla.
April 30 filed (by amendment) 2,000,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For machinery and equipment and exploration purposes. **Underwriter**—None.

★ Laymen Life Insurance Co.
May 27 (letter of notification) 60,000 shares of common stock (par $1) to be offered to stockholders of record on May 29, 1959 on a share-for-share basis. Rights expire June 30, 1959. **Price**—$5 per share. **Proceeds**—For working capital. **Office**—1047 Broadway, Anderson, Ind. **Underwriter**—None.

★ Lee Summit Corp.
May 27 (letter of notification) 150,000 shares of class B common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office** — 158 N. Virginia St., Reno, Nev. **Underwriter**—None.

Lefcourt Realty Corp.
Jan. 29 filed 3,492,000 shares of common stock, of which 2,622,000 shares were issued in exchange for all of the common stock of Desser & Garfield, Inc., and D. G. & R., Inc.; 750,000 shares will be used for the exercise of an option by the company to purchase from Big Mound Trail Corp. some 3,784.9 acres of land on or before June 15, 1959; and the remaining 120,000 shares were sold for the account of a selling stockholder during April, 1959. **Underwriter**—None.

★ Lifetime Pools Equipment Corp., Renovo, Pa.
June 1 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For purchase of machinery and equipment; advertising and working capital. **Underwriter**—First Washington Corp., Pittsburgh, Pa.

● Long Island Lighting Co.
May 28 filed $25,000,000 of first mortgage bonds series K, due 1989. **Proceeds**—To be used for construction of utility plant and to pay short-term bank loans made for such purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); W. C. Langley & Co., and Smith, Barney & Co. (jointly). **Bids**—Expected to be any time after June 18 on 72 hours' telegraphic notice.

● LuHoc Mining Corp.
Sept. 29 filed 350,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For the acquisition of properties under option and for various geological expenses, test

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drilling, purchase of equipment, and other similar purposes. **Offices**—Wilmington, Del., and Emporium, Pa. **Underwriter**—None. Statement effective.

M. & S. Oils Ltd.
May 11 filed 390,000 shares of capital stock. **Price**—60 cents per share. **Proceeds**—For exploration, development and acquisitions. **Office**—5 Cobbold Block, Saskatoon, Saskatchewan, Canada. **Underwriter**—Cumberland Securities Ltd., Regina, Saskatchewan, Canada.

★ **Mallinckrodt Chemical Works**
June 8 filed $6,000,000 of convertible subordinated debentures due July 1, 1974. **Price**—To be supplied by amendment. **Proceeds**—To retire outstanding 6% cumulative preferred stock, series B, and for general corporate purposes. **Office**—3600 North Second St., St. Louis, Mo. **Underwriter**—Newhard, Cook & Co., St. Louis, Mo.

● **Mansfield Tire & Rubber Co.**
May 7 filed $5,038,300 of 5% convertible subordinated debentures, due June 1, 1974, being offered for subscription by common stockholders of record June 2, 1959; rights to expire on June 18. **Subscription Basis**—$100 principal amount of debentures for each 28 shares of common. **Proceeds**—To pay short-term bank loans, and to augment working capital. **Office**—515 Newman St., Mansfield, Ohio. **Underwriter**—A. G. Becker & Co., Chicago, Ill.

Mary Carter Paint Co.
March 30 (letter of notification) 37,500 shares of common stock (par $1) of which 25,000 shares are being offered by the company, out of authorized but unissued stock, and 12,500 shares are being offered by John F. Crosby, Spring Lake, N. J. **Price**—$8 per share. **Proceeds**—For payment of outstanding loans and working capital, and to selling stockholder. **Office**—Gunn Highway at Henderson Rd., Tampa 7, Fla. **Underwriter**—W. W. Schroeder & Co., New York 5, N. Y.

★ **Maturizer Co.**
June 1 (letter of notification) $250,000 of 6% convertible subordinated debentures due July 1, 1964, and convertible into units of common stock which consist of one share of class A, voting, and three shares of class B, non-voting stock at $40 per unit. **Proceeds**—To purchase machinery and equipment and for working capital. **Address**—P. O. Box 755, Norman, Okla. **Underwriter**—None.

● **Medearis Industries, Inc. (6/22-26)**
May 14 filed 200,000 shares of common stock (par 20 cents). **Price**—$3.75 per share. **Proceeds**—For general corporate purposes. **Office** — 42 Broadway, New York, N. Y. **Underwriter**—Amos Treat & Co., Inc., New York.

Mercantile Acceptance Corp. of California
May 15 (letter of notification) $80,000 of 12-year 5½% capital debentures. **Price**—At face amount. **Proceeds**—For working capital. **Office**—333 Montgomery Street, San Francisco, Calif. **Underwriter**—Guardian Securities Corp., San Francisco, Calif.

Micronaire Electro Medical Products Corp. (6/22)
June 1 filed 200,000 shares and 50,000 one-year warrants for the purchase of common stock, to be offered for public sale in units of 100 shares of common stock and 25 warrants. The registration also includes an additional 200,000 three-year warrants, exercisable at $3, of which 150,000 have been issued to certain stockholders and employees. **Price**—$275 per unit. **Proceeds**—To discharge indebtedness; for expansion of sales efforts; and for working capital. **Office**—79 Madison Ave., New York. **Underwriter**—General Investing Corp., New York.

● **Microwave Associates, Inc., Burlington, Mass. (6/17)**
May 21 filed 100,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Business**—Develops and produces components for radar systems. **Underwriter**—Lehman Brothers, New York.

Millsap Oil & Gas Co.
Dec. 23 filed 602,786 shares of common stock. **Price**—$1 per share. **Proceeds** — For additional working capital. **Office**—Siloam Springs, Ark. **Underwriter**—None.

Mississippi Power Co. (6/25)
May 29 filed $5,000,000 of first mortgage bonds due July 1, 1989. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Smith; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—To be received up to 11 a.m. (EDT) on June 25 at the office of the service company, Southern Services, Inc., Room 1600, 250 Park Ave., New York 17, N. Y.

★ **Mobile Credit Corp.**
June 8 filed 15,000 shares of common stock to be offered for sale in Michigan and Pennsylvania. **Price**—$10 per share. **Proceeds**—To provide additional working capital for the purchase of vendors' interests in conditional sales contracts and other like evidences of indebtedness. **Office**—11746 Appleton Ave., Detroit, Mich. **Underwriter**—None.

Montecatini (6/24)
June 2 filed $10,000,000 of sinking fund dollar debentures due June 15, 1979, and warrants to purchase capital shares of the company. The debentures will be offered in units consisting of a debenture in the principal amount of $1,000 and a warrant to purchase a number of capital shares having a market value of approximately $500 at date of issue. **Price** — To be supplied by amendment. **Business**—The largest company in Italy in both chemical production and mining. **Proceeds**—For construction in the United States of a plant for the manufacture of isostatic polypropylene and other petrochemicals. **Underwriters** — Lazard Freres & Co., Lehman Brothers and Kuhn, Loeb & Co., all of New York.

★ **Montreal, Canada (6/30)**
June 5 filed $8,100,000 of sinking fund debentures for local improvements and $11,900,000 of sinking fund debentures for public works, due Jan. 1, 1980. **Price**—To be supplied by amendment. **Proceeds**—For various public works projects and for repayment of borrowings incurred for such purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers, White, Weld & Co., Eastman Dillon, Union Securities & Co. and Blyth & Co., Inc. (jointly); Shields & Co., Halsey, Stuart & Co. Inc., Savard & Hart and Salomon Bros. & Hutzler (jointly). **Bids**—Expected to be received on June 30.

● **Multi-Amp Electronic Corp.**
May 1 (letter of notification) 99,500 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To purchase building; for research, development, equipment and machinery, etc.; and for working capital. **Business**—Portable and laboratory instruments for testing etc. **Office**—465 Lehigh Avenue, Union, N. J. **Underwriter**—G. Everett Parks & Co., Inc., 52 Broadway, New York, N. Y. Offering expected any day.

★ **Mutual Income Foundation, Columbus, Ohio**
June 8 filed (by amendment) an additional 900,000 shares of beneficial interest in the Foundation. **Price**—At market. **Proceeds**—For investment.

Narda Ultrasonics Corp. (6/15)
April 29 filed 20,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—To retire a $100,000 outstanding bank loan and the balance will be used for general corporate purposes. **Office**—Westbury, Long Island, N. Y. **Underwriter** — Torpie & Saltzman, New York.

National Citrus Corp.
April 20 (letter of notification) 150,000 shares of common stock. **Price**—At par ($2 per share). **Proceeds**—For new equipment, inventory and working capital. **Address**—P. O. Box 1658, Lakeland, Fla. **Underwriter**—R. F. Campeau Co., Inc., Detroit, Mich.

National Life & Casualty Insurance Co.
March 25 filed 250,000 shares of common capital stock to be offered to holders of certain of company's life insurance policies issued on or prior to Dec. 31, 1955, and to certain employees. **Price**—$4.44 per share. **Proceeds**—To increase capital and surplus. **Office** — 2300 North Central Ave., Phoenix, Ariz. **Underwriter**—None.

★ **National Securities & Research Corp.**
June 9 filed (by amendment) an additional 15,000,000 shares in the Fund. **Price**—At market. **Proceeds**—For investment.

Nationwide Small Business Capital Investing Corp.
April 24 filed 500,000 shares of capital stock (par 50 cents). **Price** — $1 per share. **Proceeds** — For working capital and investments. **Office**—Hartsdale, N. Y. **Underwriter**—None.

Naylor Engineering & Research Corp.
Sept. 29 (letter of notification) 300,000 shares of cumulative voting and non-assessable common stock. **Price**—At par ($1 per share). **Proceeds**—For organizational expenses and first three months' operational expenses. **Office**—1250 Wilshire Blvd., Los Angeles 17, Calif. **Underwriter**—Waldron & Co., San Francisco 4, Calif.

Nedow Oil Tool Co.
May 5 (letter of notification) 150,000 shares of common stock (par 50 cents). **Price**—$2 per share. **Proceeds**—To acquire fishing tools for leasing; and for working capital. **Address**—P. O. Box 672, Odessa, Texas. **Underwriters**—To be designated.

New York Shipbuilding Corp.
March 20 filed 83,334 shares of common stock, to be offered in exchange for common stock of Higgins, Inc., at the rate of one share of New York Shipbuilding common for each 24 shares of Higgins common. The offer will expire on June 30. Statement effective April 16.

North American Acceptance Corp.
April 29 (letter of notification) $300,000 of 6% 10-year subordinated debentures to be offered for subscription by stockholders in denominations of $100, $500 and $1,000 each. Rights will expire July 31, 1959. **Price**—At par. **Proceeds**—For working capital. **Office**—Suite 487, 795 Peachtree Street, N. E., Atlanta, Ga. **Underwriter**—None.

Northern Illinois Gas Co. (6/23)
May 27 filed $20,000,000 of first mortgage bonds due June 1, 1984. **Proceeds**—To retire bank loans, and for construction expenditures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co. Inc. **Bids**—To be received up to 10 a.m. (CDT) on June 23.

★ **Northern States Power Co. (7/22)**
June 9 filed 952,033 shares of common stock to be offered for subscription by common stockholders on the basis of one new share for each 15 shares held. **Proceeds**—For construction program expenditures, including the payment of any then existing bank loans (estimated at $14,000,000). **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers and Riter & Co. (jointly); The First Boston Corp., Blyth & Co., Inc., and Kuhn, Loeb & Co. (jointly); White, Weld & Co. and Glore, Forgan & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith, Inc. **Bids**—Expected to be received on July 22.

Northwest Defense Minerals, Inc., Keystone, S. Dak.
May 4 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploring and recovering strategic metals and producing same. **Underwriter**—Caldwell Co., 26 Broadway, New York, N. Y. **Offering**—Expected in July.

★ **Northwest, Inc.**
June 1 (letter of notification) 60,000 shares of common stock (par $2.50). **Price**—$5 per share. **Proceeds**—For working capital. **Office** — Cushman & Gaffney, Fairbanks, Alaska. **Underwriter**—None.

Office Buildings of America, Inc.
April 6 filed 91,809 shares of class A stock (par $1) and 10,201 shares of class B common stock (par $1) to be offered in units of nine class A shares and one class B share. **Price**—$100 per unit. **Proceeds**—To be available for investment in real estate syndicates and other real estate. **Office**—9 Clinton St., Newark, N. J. **Underwriter**—None.

Oil, Gas & Minerals, Inc.
April 2 filed 260,000 shares of common stock (par 35 cents. **Price**—$2 per share. **Proceeds**—To retire bank loans and for investment purposes. **Office**—513 International Trade Mart, New Orleans, La. **Underwriter**—Assets Investment Co., Inc., New Orleans, La.

O. K. Rubber Welders, Inc.
Dec. 15 filed 60,600 shares of common stock, $43,333.33 of 3¼% debentures maturing on or before May 6, 1965 $692,000 of 6% debentures maturing on or before Dec 31, 1974 and $123,000 of 7% debentures due on or before May 6, 1965. The company proposes to make a public offering of 25,000 shares of common stock at $10 per share. The remaining shares and the debentures are subject to an exchange offer between this corporation O. K. Rubber, Inc., and O. K. Ko-op Rubber Welding System, on an alternative basis. **Proceeds**—Of the public offering, will be used for additional working capital and/or to service part of the company's debt. **Office**—551 Rio Grande Ave., Littleton, Colo. **Underwriter**—None. Statement effective April 13.

● **Oklahoma Cement Co. (6/24)**
May 21 filed $3,600,000 of subordinated debentures due June 1, 1974, and 360,000 shares of common stock (par 25 cents) to be offered in units each consisting of $100 of debentures and 10 shares of common stock. **Price**—To be supplied by amendment. **Proceeds** — For expansion, general corporate purposes, and the balance for working capital. **Office**—Beacon Bldg., Tulsa, Okla. **Underwriter**—Laird & Co. Corp., Wilmington, Del.

Oreclone Concentrating Corp., Virginia, Minn.
May 20 filed 200,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For repayment of outstanding obligations and for working capital. **Underwriter**—Investment Bankers of America, Inc., Washington, D. C.

★ **Overnite Transportation Co.**
May 7 (letter of notification) 8,000 shares of common stock (par 50 cents) to be offered to officers and employees of the company. **Price**—$11 per share. **Office**—501 S. 14th Street, Richmond, Va. **Underwriter**—None.

● **Ozark Air Lines, Inc. (6/20)**
May 20 filed 132,944 shares of general common stock (par $1) to be offered to holders of class A and class B common stock (not including class B common held by voting trustees) and holders of voting trust certificates for class B common stock, on the basis of one new share of general common stock for each nine shares of class A common, class B common (not including class B shares held by voting trustees), or voting trust certificates for class B common. **Price**—$4.75 per share. **Proceeds**—For purchase of additional flight equipment. **Address**—P. O. Box 6007, Lambert Field, St. Louis, Mo. **Underwriters**—Newhard, Cook & Co. and Yates, Heitner & Woods, both of St. Louis, Mo.

Paco Products, Inc., Pacolet, A. C.
May 11 (letter of notification) 2,000 shares of 7% preferred stock. **Price**—At par ($50 per share). **Proceeds**—To pay bank loans and for general corporate purposes. **Underwriters**—A. M. Law & Co., Spartanburg, S. C.; and Clark, Landstreet & Kirkpatrick, Inc., Nashville, Tenn.

Paddock of California
March 30 filed 51,847 outstanding shares of common stock (par $1) being offered "only to stockholders and directors of The Refinite Corp. and will not be offered to the general public." **Price**—$3 per share. **Proceeds**—To selling stockholders, The Refinite Corp. **Office**—8400 Santa Monica Boulevard, Los Angeles, Calif. **Underwriter**—None. Statement effective May 15.

Paramount Mutual Fund, Inc.
Jan. 2 filed 300,000 shares of capital stock. **Price**—Minimum purchase of shares is $2,500. **Proceeds**—For investment. **Office**—404 North Roxbury Drive, Beverly Hills, Calif **Underwriter**—Paramount Mutual Fund Management Co. Statement effective April 14.

★ **Participating Annuity Life Insurance Co.**
June 4 filed $2,000,000 of variable annuity policies. **Proceeds** — For investment. **Office** — Hathcock Building, Fayetteville, Ark. **Underwriter**—None.

Pearce-Uible Co.
May 11 filed 555,000 shares of common stock (par $1), of which 500,000 shares are to be offered publicly, and the remaining 55,000 shares are subject to sale under Stock Purchase Options granted to employees of the company. **Price**—$3.50 per share to public. **Proceeds**—For acquisition and development of land and construction of houses for sale. **Office**—3850 Beach Boulevard, Jacksonville, Fla. **Business**—Construction of single-family dwellings for sale to home owners. **Underwriter**—Pierce, Carrison, Wulbern, Inc., Jacksonville, Fla., and four other firms.

Peckman Plan Fund, Inc., Pasadena, Calif.
May 19 filed 20,000 shares of common stock (par $1) **Price**—At market. **Proceeds**—For investment. **Underwriter**—Investors Investments Corp., Pasadena, Calif.

Peoples Drug Stores, Inc. (6/17)
May 19 filed 121,000 shares of common stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriters**—Alex Brown & Sons, Baltimore, Md.; and Kidder, Peabody & Co., New York.

Permachem Corp., New York
March 31 filed 2,041,331 shares of class A common stock (par 10 cents) and 1,917 shares of class B common stock (par 10 cents). This covers the transfer of certain shares pursuant to option agreements. **Price** — At over-the-counter market prices. **Underwriter**—None.

Philadelphia Electric Co.
May 7 filed 640,306 shares of common stock (no par) being offered for subscription by common stockholders of record June 2, 1959, on the basis of one new share for each 20 shares then held; rights will expire on June 23. **Price**—$45.50 per share. **Proceeds** — To repay bank loans and for construction program. **Underwriters**—Drexel & Co. and Morgan Stanley & Co., both of New York.

Philip Morris Inc. (6/22)
June 2 filed $40,000,000 of 25-year sinking fund debentures due 1979. **Price** — To be supplied by amendment. **Proceeds** — To reduce short-term bank loans. **Underwriters** — Lehman Brothers and Glore, Forgan & Co., both of New York.

• Phillips-Van Heusen Corp.
April 21 filed 69,210 shares of common stock, to be offered in exchange for common stock of Kennedy's, Inc., in the ratio of 1½ shares of Phillips-Van Heusen stock for one share of Kennedy's stock. Statement effective May 27.

• Piedmont Aviation, Inc.
May 6 (letter of notification) 81,714 shares of common stock (par $1) being offered to stockholders at the rate of 1/14 of a share for each share held as of May 22, 1959. Rights to expire on June 30, 1959. **Price** — $3.50 per share. **Proceeds**—For working capital. **Address**—Smith Reynolds Airport, Winston-Salem, N. C. **Underwriter**—None.

• Plastic Materials & Polymers, Inc. (6/19)
May 11 filed 143,750 shares of common stock (par 10 cents). **Price** — Expected at $4 per share. **Proceeds**—For construction of a plant in Rhode Island and for general corporate purposes. **Business**—Primarily engaged in the compounding and coloring of thermoplastic raw materials, and the sale of the resultant product. **Office**—Hicksville, Long Island, N. Y. **Underwriter**—Filor, Bullard & Smith, New York City.

★ Plastic Wire & Cable Corp., Jewett City, Conn. (7/3)
June 5 filed 40,000 shares of common stock (par $5) to be offered for subscription by holders of outstanding stock at the rate of one new share for each five shares held. **Price**—To be supplied by amendment. **Proceeds**—To repay outstanding bank loans, for construction expenditures and for other corporate purposes. **Underwriter**—Putnam & Co., Hartford, Conn.

Polarad Electronics Corp. (6/17)
May 1 filed 100,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — For working capital and other corporate purposes. **Office**—43-20 34th Street, Long Island City, N. Y. **Underwriter**—Kidder, Peabody & Co., New York.

Precon Electronics Corp. (6/15-19)
April 6 filed 175,000 shares of common stock (par 75 cents). **Price** — $5 per share. **Proceeds** — For working capital; to reimburse the predecessor for certain development expenses; for inventories and work in process; and other general corporate purposes. **Office**—120 E. 41st St., New York, N. Y. **Underwriters**—Charles Plohn & Co. and Netherlands Securities Co., Inc., both of New York, N. Y.

Pressed Metals of America, Inc.
April 17 filed 90,000 outstanding shares of common stock. **Price** — Related to the current market price on the American Stock Exchange. **Proceeds**—To selling stockholders. **Office**—Port Huron, Mich. **Underwriter**—None.

Prudential Enterprises, Inc.
Jan. 15 (letter of notification) 200,000 shares of common stock (par one cent) of which 170,000 shares are to be sold by the company and 30,000 shares by a selling stockholder. **Price** — $1.50 per share **Proceeds** — For general expansion and working capital. **Office**—1108 16th Street, N.W., Washington 6, D. C. **Underwriter**—John C. Kahn Co., Washington, D. C.

Puritan Chemical Corp.
March 30 filed 500,000 shares of capital stock (par 10 cents. **Price**—$1.25 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—2 South Broadway, Lawrence, Mass. **Underwriter**—Dunne & Co., New York. **Offering**—Expected any day.

★ Queenstown Gardens, Inc.
June 5 filed 140 units, each unit consisting of 700 shares of class B non-voting common stock. **Price**—$5,000 per unit. **Proceeds**—To acquire a 1061 apartment development known as Queenstown Apartments in Prince Georges County, Md. **Underwriter**—None.

Radar Design Corp., Syracuse, N. Y. (6/22-26)
May 26 filed 120,000 shares of common stock ($1 par). **Price**—$3 per share. **Proceeds** — To liquidate notes and mortgages, and for new equipment and working capital. **Underwriter**—Charles Plohn & Co., New York.

Radinsky Investment Co.
June 1 filed 100,000 shares of common stock. Each purchaser of stock is entitled to receive one stock purchase warrant for each five shares of stock acquired. The warrants will entitle the holder to acquire one share of common for each five shares of stock acquired. **Price**—$2 per share. **Proceeds**—For working capital. **Office**—2000 W. Colfax Ave., Denver, Colo. **Underwriters**—Amos C. Sudler & Co., and Purvis & Co., both of Denver, Colo.

Raindor Gold Mines, Ltd.
Jan. 28 (letter of notification) 290,000 shares of common stock (par $1). **Price**—$1 per share. **Proceeds**—To prove up ore and for road and camp construction. **Office**—At Suite 322, 200 Bay St., Toronto, Ont., Canada, and c/o T. Arnold, Wilson Circle, Rumson, N. J. **Underwriter**—Sano & Co., New York, N. Y.

Raytheon Manufacturing Co.
May 1 filed 350,602 shares of common stock (par $5) and 100,000 shares of 5½% series (cumulative), serial preferred stock (par $50). These shares were or may be issued as a result of the merger, of Machlett Laboratories, Inc., into Raytheon Co. (formerly Raytheon Manufacturing Co.).

Reeves Soundcraft Corp., Danbury, Conn.
April 30 filed 22,000 shares of common stock (par five cents) to be sold to Lewis Cowan Merrill upon exercise of option. **Price**—$3 per share. **Proceeds**—To Hazard E. Reeves, the selling stockholder. **Underwriter**—None. No public offering is planned.

★ Reheis Co., Inc.
June 5 filed 87,000 outstanding shares of class A stock. **Price**—$5 per share. **Proceeds**—To selling stockholders. **Business**—Manufactures and sells fine chemicals in bulk primarily to ethical pharmaceutical manufacturers, and cosmetic manufacturers. **Underwriters**—Aetna Securities Corp., New York.

• Reichhold Chemicals, Inc. (6/16)
May 22 filed 400,000 shares of common stock (par $1). **Price**—Related at the time of offering to the then current price on the New York Stock Exchange. **Proceeds**—To be added to the general funds of the company; and it is expected that about $10,000,000 will be applied to its construction program and the balance added to working capital. **Office**—525 North Broadway, White Plains, N. Y. **Underwriter**—Blyth & Co., Inc., New York.

Reiter-Foster Oil Corp.
March 30 filed $1,500,000 of 6% convertible debentures due 1969, being offered for subscription by common stockholders at the rate of $100 principal amount of debentures for each 300 common shares held as of June 3; rights to expire on June 18. **Price** — At principal amount. **Proceeds** — To pay debt and for development of present properties and acquisition and development of additional oils and gas properties. **Underwriter**—Emanuel Deetjen & Co., New York.

Research Investing Fund of America, Inc.
Feb. 24 filed 200,000 shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Office**—Englewood, N. J. **Underwriter**—First Mutual Securities of America, Inc.

★ Ronson Corp., Woodbridge, N. J.
May 21 (letter of notification) 20,000 shares of common stock (par $1). **Price**—$12 per share. **Proceeds**—For working capital. **Underwriter**—None.

• Roosevelt-Consolidated Building Associates
May 4 filed $5,580,000 of Participations in Partnership Interests, to be offered for sale in units. **Price**—$10,000 per unit. **Proceeds**—For general corporate purposes. **Office**—60 East 42nd Street, New York. **Underwriter**—None. Statement effective June 1.

★ Rowe Furniture Corp., Salem, Va.
June 9 filed 165,000 outstanding shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Francis I. duPont & Co., Lynchburg, Va., and New York.

Royal Dutch Petroleum Co./Shell Transport & Trading Co.
May 27 Royal Dutch filed 794,203 shares (nominal par value of 20 Netherlands Guilders each), and Shell Transport filed 1,191,304 ordinary shares (£ nominal value). According to the prospectus, an offer has been made by Royal Dutch and Shell Transport to Canadian Eagle Oil Company Limited, for the whole of its assets and business. Pursuant to the offer, there would be allotted to Canadian Eagle, for distribution in kind to its shareholders, 3,971,012 fully paid shares of Royal Dutch and 5,956,518 fully paid ordinary shares of Shell Transport. Bataafse Petroleum Maatschappij, N.V., a company of the Royal Dutch/Shell group of companies, which owns about 21% of the issued share capital of Canadian Eagle, will waive its right to participate in such distribution. Canadian Eagle shareholders owning the remaining 23,826,072 ordinary shares of Canadian Eagle will therefore receive two Royal Dutch shares and three Shell Transport ordinary shares in respect of every 12 shares of Canadian Eagle held. The offer is to be voted upon by Canadian Eagle shareholders at a meeting to be held July 21, 1959. After the shares of Royal Dutch and Shell Transport have been distributed to Canadian Eagle shareholders, Canadian Eagle is to be dissolved.

• Ryan Aeronautical Co., San Diego, Calif. (6/24)
May 26 filed 330,000 shares of common stock (no par), of which 275,000 shares will be offered on behalf of the company and 55,000 for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—Amount accruing to the company will be added to working capital. **Underwriter**—Dean Witter & Co., San Francisco, Calif., and New York City.

• St. Joseph Light & Power Co. (6/16)
May 18 filed $4,500,000 of first mortgage bonds due June 1, 1989. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Otis & Co., Inc.; Smith, Barney & Co., and Glore, Forgan & Co. and Blair & Co. Inc. (jointly); Eastman Dillon, Union Securities & Co.; White, Weld & Co.; Equitable Securities Corp.; First Boston Corp. **Bids**—Expected to be received up to 11 a.m. (CDT) on June 16.

San Diego Imperial Corp. (6/15-19)
May 18 filed 1,400,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — For further acquisitions; to repay two bank loans; for advance to a subsidiary; to repay the remaining unpaid balance of the purchase price of the company's new office building; and for other corporate purposes. **Office**—1400 Fifth Ave., San Diego, Calif. **Underwriters**—White, Weld & Co., New York; and J. A. Hogle & Co., Salt Lake City and New York.

★ Sears, Roebuck & Co.
June 8 filed 25,000 memberships in the Savings and Profit Sharing Pension Fund of Sears, Roebuck & Co. employees, together with 2,000,000 shares of the company's common stock which may be purchased by the Fund.

Securities Acceptance Corp.
May 25 (letter of notification) 10,000 shares of 5% cumulative preferred stock (par $25). **Price**—$25.50 per share. **Proceeds**—For working capital. **Office**—304 S. 18th St., Omaha, Neb. **Underwriters**—First Trust Co. of Lincoln, Lincoln, Neb.; Wachob-Bender Corp., Omaha, Neb., and Cruttenden, Podesta & Co., Chicago, Ill.

Silver Creek Precision Corp.
March 30 filed 1,550,000 shares of common stock (par 10 cents), of which 200,000 shares are to be offered for the account of the company, and 1,350,000 shares for account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—Central Ave. and Mechanic St., Silver Creek, N. Y. **Underwriter**—Maltz, Greenwald & Co., New York.

Sip'n Snack Shoppes, Inc., Philadelphia, Pa.
March 31 filed 200,000 shares of common stock. **Price**—$2 per share. **Proceeds**—To pay loans and for new equipment. **Underwriter**—Sano & Co., New York.

• Smith (H. C.) Oil Tool Co. (6/22)
May 20 filed 100,000 shares of capital stock (no par). **Price** — To be supplied by amendment. **Proceeds** — For research and development of new products; to increase inventories; and for the acquisition of new production machinery and tools. **Office** — 14930 South San Pedro Blvd., Compton, Calif. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

Soundscriber Corp.
May 13 filed 126,254 shares of common stock to be offered for subscription by common stockholders at the rate of one new share for each three shares held. **Price**—$14 per share. **Proceeds**—To be applied for costs incurred and to be incurred in connection with the introduction of a new line of office dictating equipment; payment of installment notes with interest; payment of a bank indebtedness; payment and interest on notes payable; and for general corporate purposes. **Office**—8 Middletown Avenue, North Haven, Conn. **Underwriter**—None.

• Spartans Industries, Inc. (6/12)
May 12 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Business**—A major producer and distributor of a diversified line of popular price, basic style apparel for men, women and children. **Office**—1 West 34th St., New York 1, N. Y. **Underwriters** — Shearson, Hammill & Co., New York; and J. C. Bradford & Co., Nashville, Tenn.

• Spiegel, Inc.
May 8 filed $15,417,500 of convertible subordinated debentures due June 1, 1984, being offered for subscription by common stockholders of record June 5, 1959, on the basis of $100 principal amount of debentures for each 12 shares held; rights to expire on June 22. **Proceeds**—To be added to the general funds of the company to be available principally to finance its increasing accounts receivable. **Underwriter**—Wertheim & Co., New York.

Sports Arenas (Delaware) Inc.
Nov. 18 filed 461,950 shares of common stock (par one cent). **Price**—At the market (but in no event less than $6 per share). **Proceeds**—To selling stockholders. **Office**—33 Great Neck Rd., Great Neck, N. Y. **Underwriter**—None

Standard Electric Co., Inc.
March 31 (letter of notification) 10,000 shares of common stock (par $25). **Price**—$27.50 per share. **Proceeds**—To purchase equipment, erect and equip a semi-fireproof building and for working capital. **Office** — 3016 Austin Highway, San Antonio, Texas. **Underwriter** — Bache & Co., San Antonio, Texas.

★ Stetson (John B.) Co.
May 28 (letter of notification) 1,798 shares of common stock (no par) to be offered to employees under the Employee Stock Option Plan. **Price**—$23.28 per share. **Proceeds**—For working capital. **Office**—5th Street and Montgomery Avenue, Philadelphia 22, Pa. **Underwriter**—None.

Suffolk Gas Corp.
May 8 (letter of notification) 6,000 shares of common stock (par $2.50) to be offered for subscription by stockholders; unsubscribed shares to public. **Price**—To stockholders, $6.75 per share. **Office**—151 N. Main Street, Suffolk, Va. **Underwriter**—Strader & Co., Inc., Lynchburg, Va.

Sunray Mid-Continent Oil Co.
May 19 filed 525,000 shares of common stock to be offered in exchange for common stock of Suntide Refining Co. in the ratio of one share of Sunray for each three shares of Suntide. The offer is conditional upon the deposit of sufficient shares of Suntide so that Sunray will

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own at least 90% of the outstanding Suntide shares. Underwriter—None.

● Superior Window Co. (6/29)
May 15 filed 50,000 shares of 70-cent cumulative convertible preferred stock (par $8) and 125,000 shares of class A common stock (par 10 cents). Price—For preferred stock, $10 per share; and for common stock, $4 per share. Proceeds—To purchase the assets of Superior Trucking Co.; for repayment of notes; and for general corporate purposes. Office—625 E. 10th Ave., Hialeah, Fla. Underwriter—Cruttenden, Podesta & Co., Chicago and New York.

★ Taft Broadcasting Co. (7/6)
June 5 filed 483,332 shares of common stock (par $1). Price — To be supplied by amendment. Proceeds — To selling stockholders. Office—800 Broadway, Cincinnati, Ohio. Underwriter—Harriman Ripley & Co. Inc., New York.

● Tang Industries, Inc. (7/6-10)
May 25 filed 110,000 shares of common stock (par 10 cents. Price—$3 per share. Proceeds—To purchase machinery and equipment; for research and development; for certain expenses and for working capital. Office—49 Jones Road, Waltham, Mass. Underwriter — David Barnes & Co., Inc., New York.

★ Tape Cable Electronics Co., Inc. (7/6-10)
June 8 filed 110,000 shares of common stock. Price—$3.75 per share. Proceeds—For the purchase and construction of necessary machinery and equipment, the promotion and sale of Tape Cable, and for working capital. Office—790 Linden Ave., Rochester, N. Y. Underwriters—Charles Plohn & Co. and Netherlands Securities Co., Inc., both of New York.

Technical Operations Inc. (7/6)
May 29 filed 75,000 shares of common stock. Price—To be supplied by amendment. Proceeds—For construction program, for investment in subsidiaries, for working capital and other corporate purposes. Office — South Ave., Burlington, Mass. Underwriter—Bear, Stearns & Co., New York.

Technology, Inc.
May 15 filed 325,000 shares of common stock (par 10 cents). Price—$4 per share. Proceeds—To pay off in full the subscription of Microwave Electronic Tube Co., Inc. stock, represented by notes, to pay for improvements upon the plant leased to Microwave, and for working capital. Office—1500 Massachusetts Avenue, N. W., Washington, D. C. Underwriter — E. L. Wolf Associates, Inc., Washington, District of Columbia.

● Telectro Industries Corp. (6/11-12)
May 6 filed 200,000 shares of common stock (par 10 cents). Price—$3 per share. Proceeds—For additional machinery and equipment; to retire outstanding balances of a V-loan to a bank and to a commercial credit company; and the balance will be added to working capital and used for general corporate purposes. Office—35-16 37th St., Long Island City, N. Y. Underwriter—Milton D. Blauner & Co., Inc., New York.

Telemeter Magnetics, Inc. (6/22)
May 26 filed 150,000 shares of common stock (par 10 cents). Price—To be supplied by amendment. Proceeds —To be applied to the reduction of short-term bank loans incurred for working capital purposes as a consequence of the expanding business of the company. Business—The company is engaged principally in design, development, manufacture and sale of digital data handling equipment and components for the computer and data processing industry. Underwriters—Lehman Brothers; Hallgarten & Co. and Hemphill, Noyes & Co., all of New York.

Ten Keys, Inc., Providence, R. I.
April 28 filed 973,000 shares of capital stock (par $1). Price—$5.40 per share. Proceeds—For investment. Office —512 Hospital Trust Bldg., Providence, R. I. Distributor —E. R. Davenport & Co., Providence, R. I.

★ Terminal Tower Co., Cleveland, Ohio
May 29 filed $3,300,000 of 6% sinking fund debentures due July 1, 1969, with common stock purchase warrants for the purchase of the company's common stock at the price of $30 per shares and at the rate of 10 shares for each $1,000 of debentures. Price — 100% of principal amount. Proceeds — For acquisition of the Terminal Tower Building, Cleveland, Ohio. Underwriter—Fulton Reid & Co., Cleveland, Ohio.

● Texfel Petroleum Corp.
March 19 filed 550,000 shares of common stock (par $1). Price—To be supplied by amendment. Proceeds—For repayment of the company's 5% notes held by an American bank, and the balance will be added to its general funds and will be used in connection with its various operations, and for general corporate purposes, including payment of purchase obligations on certain properties, and for the purchase of warehouse inventories. Office—Republic National Bank Bldg., Dallas, Texas. Underwriters—Bache & Co. and Allen & Co., both of New York. Offering indefinitely postponed.

● Thriftimart, Inc. (6/17)
May 18 filed $6,000,000 of convertible subordinated debentures due 1980. Price—To be supplied by amendment. Proceeds — For expansion program. Office — 1489 W. Washington Blvd., Los Angeles, Calif. Underwriters—Reynolds & Co., Inc., New York; and Lester, Ryons & Co., Los Angeles, Calif.

Tip Top Products Co.
May 29 filed $850,000 of 6% first mortgage sinking fund bonds, series A (with warrants for 17,000 shares of class A common stock), and 100,000 shares of class A common stock. Price — For stock, $10 per share; for bonds, at 100% of principal amount. Proceeds—To retire the present mortgage debt of the company, to pay off short-term bank borrowings, and for working capital. Office—1515 Cuming St., Omaha, Neb. Underwriters — J. Cliff Rahel & Co., Omaha, Neb.; and The First Trust Co. of Lincoln, Neb.

★ Toronto (Municipality of Metropolitan) Canada (6/24)
June 4 filed $39,982,000 of serial and sinking fund debentures, of which $6,759,000 mature from June 1, 1960 to June 1, 1974, and $33,223,000 mature as follows: $32,741,000 on June 1, 1979; $142,000 June 1, 1984, and $340,000 June 1, 1989. Price—To be supplied by amendment. Proceeds—For various public works projects. Underwriters—Harriman Ripley & Co. Inc. and The Dominion Securities Corp., both of New York.

Transcon Petroleum & Development Corp., Mangum, Okla.
March 20 (letter of notification) 300,000 shares of common stock. Price—At par ($1 per share). Proceeds—For development of oil properties. Underwriter—First Investment Planning Co., Washington, D. C.

★ Treasure Hunters, Inc.
June 4 filed 1,900,000 shares of common stock. Price—$1 per share. Proceeds—For salvage operations. Office —1500 Massachusetts Avenue, N. W., Washington, D. C. Underwriter—None.

Trinity Small Business Investment Co.
April 17 filed 235,000 shares of capital stock (par $1). Price — $10.75 per share. Proceeds — For investment. Office—South Main Street, Greenville, S. C. Underwriter—To be supplied by amendment.

★ Tungsten Mountain Mining Co.
May 21 (letter of notification) $100,000 principal amount of 7% first mortgage convertible bonds, to be offered in denominations of $500 and $1,000 each. Price—100% of principal amount. Proceeds—For construction, installation of machinery and equipment and working capital. Office—511 Securities Building, Seattle 1, Wash. Underwriter—H. P. Pratt & Co., Seattle 4, Wash.

Tyce Engineering Corp.
May 6 (letter of notification) 100,000 shares of common stock (no par). Price — $3 per share. Proceeds — For working capital. Office — 309 G. Street, Chula Vista, Calif. Underwriter—Pacific Coast Securities Co., San Francisco, Calif.

United Gas Improvement Co. (6/16)
May 12 filed $10,000,000 of first mortgage bonds due June 1, 1984. Proceeds—To be used to reimburse, in part, the treasury of the company for property additions and improvements and to meet, in part, the cost of the continuing construction program, including the retirement of bank loans incurred in connection with such program. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Smith and Eastman Dillon, Union Securities & Co. (jointly); The First Boston Corp.; Kuhn, Loeb & Co. and Blyth & Co., Inc. (jointly); Kidder, Peabody & Co.; Drexel & Co. and Eastman Dillon, Union Securities & Co. Bids—Expected to be received up to 11 a.m. (EDT) on June 16 at 1401 Arch St., Philadelphia 5, Pa.

United Illuminating Co. of New Haven
May 7 filed 350,501 shares of common stock (no par) being offered for subscription by common stockholders on the basis of one new share for each eight shares held of record May 26, 1959; rights to expire on June 18. Price—$26.50 per share. Proceeds—To finance in part the company's 1960-1961 construction program, including the payment of current bank loans incurred in connection with this program. Underwriter—None.

United States Glass & Chemical Corp.
Nov. 26 filed 708,750 outstanding shares of common stock. Price—At market. Proceeds — To selling stockholders. Office—Tiffin, Ohio. Underwriter—None.

United Tourist Enterprises, Inc.
Jan. 28 filed 4,500,000 shares of class A common stock (par 50 cents). Price—$2 per share. Proceeds—For development and construction of a "Western Village" and for construction of a Grand Estes Hotel and Convention Hall, to be constructed in the immediate vicinity of Estes Park Chalet, located in Larimer County, Colo. Office — 330 South 39th Street, Boulder, Colo. Underwriter—Mid-West Securities Corp., Littleton, Colo.

Uranium Corp. of America, Portland, Ore.
April 30, 1957 filed 1,250,000 shares of common stock (par 16 cents). Price—To be supplied by amendment (expected to be $1 per share). Proceeds—For exploration purposes. Underwriter—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

Utah Concrete Pipe Co.
April 27 (letter of notification) 41,300 shares of common stock (par $1). Price—$7.25 per share. Proceeds—To be used to reduce long-term debt; improvement and expansion of Ogden plant and for addition to working capital. Office—379-17th St., Ogden, Utah. Underwriter—Schwabacher & Co., San Francisco, Calif.

Utah Minerals Co.
April 11 (letter of notification) 900,000 shares of common stock. Price—At par (10 cents per share). Proceeds —For mining expenses. Office—305 Main St., Park City, Utah. Underwriter—Walter Sondrup & Co., Salt Lake City, Utah.

Utah Oil Co. of New York, Inc.
May 6 (letter of notification) 300,000 shares of capital stock. Price — At par ($1 per share). Proceeds — For development of oil and gas lands. Office—574 Jefferson Ave., Rochester 11, N. Y. Underwriter—Frank P. Hunt & Co., Inc., Rochester, N. Y.

Utility Appliance Corp., Los Angeles, Calif.
April 9 (letter of notification) 50,000 shares of common stock (par $1). Price—$5.75 per share. Proceeds—To selling stockholders. Office—4851 South Alameda Street, Los Angeles 58, Calif. Underwriter — Dempsey-Tegeler & Co., Los Angeles, Calif.

Variable Annuity Life Insurance Co. of America
April 21 filed $4,000,000 of Variable Annuity Policies. Price—No less than $120 a year for annual premium contracts and no less than $1,500 for single premium contracts. Proceeds—For investment, etc. Office—1832 M Street, N. W., Washington, D. C. Underwriter—None.

Victoria Raceway
May 25 filed 1,000,000 shares of common stock (par $2 in Canadian funds). Price—$4.50 per share. Proceeds—To construct and operate a racing plant; and for working capital and other corporate purposes. Office—Notre Dame Avenue at King Street, Winnipeg, Canada. Underwriter—G. Everett Parks & Co., Inc., New York. Offering—Expected in about two months.

Victory Markets, Inc.
May 25 (letter of notification) 20,000 shares of class A common stock (par $2). Price—$14.52 per share. Proceeds—For inventory and equipment and for working capital. Office—54 E. Main St., Norwich, N. Y. Underwriter—S. D. Lunt & Co., Buffalo, N. Y.

Virginia Electric & Power Co.
April 28 filed 710,000 shares of common stock (par $8) being offered for subscription by common stockholders on the basis of one new share for each 20 shares held of record June 2, 1959 (with an oversubscription privilege); rights to expire on or about June 18. Price per share is $33. Proceeds—For construction program Underwriter—Merrill Lynch, Pierce, Fenner & Smith, Inc.

● Vocaline Co. of America, Inc. (6/16)
May 19 filed 210,000 shares of common stock (par $1.50), of which 180,000 shares are for the account of the company and 30,000 shares for selling stockholders. Price—To be supplied by amendment. Proceeds — To retire notes, to expand facilities and for working capital and general corporate purposes. Underwriter — George, O'Neill & Co., Inc., New York.

Voss Oil Co. (6/16)
May 27 filed 1,231,779 shares of class A common stock, of which 231,779 shares will be issued to creditors. Price —$1 per share. Proceeds—To be used for a waterflood program, and for working capital and other corporate purposes. Office—211 South Seneca St., Newcastle, Wyo. Underwriter—Hill, Darlington & Co., New York.

Vulcan Materials Co., Mountain Brook, Ala.
May 7 filed 252,526 shares of common stock, of which 142,526 shares represent the balance of 250,000 shares issuable upon the exercise of options granted key employees under the company's Employees Stock Option Plan. The remaining 110,000 shares are to be issued to stockholders of Greystone Granite Quarries, Inc., and Pioneer Quarries Co., both North Carolina corporations, and to certain other parties in exchange for all the outstanding capital stock of Greystone and Pioneer and certain real and personal properties operated under lease by Pioneer.

Wade Drug Corp., Shreveport, La.
April 28 filed 157,250 shares of class B common stock to be sold privately to retail druggists through James D. Wade, Jr., company's principal officer and stockholder, who will receive a commission of $1.50 per share. Price —At par ($10 per share). Proceeds—To purchase additional machinery and equipment; research and experimentation; for initial contracts; and purchase of additional companies. Underwriter—None.

Walter (Jim) Corp. (6/16)
May 19 filed 150,000 shares of common stock (par 16⅔ cents) together with $1,250,000 of 9% subordinated unsecured bonds, due Dec. 31, 2000. Price—To be supplied by amendment. Proceeds—For general corporate purposes. Office—1500 North Dale Mabry Highway, Tampa, Fla. Underwriter—Alex. Brown & Sons, Baltimore, Md.

★ Washington Land Developers, Inc.
June 3 filed 100,000 shares of class A common stock. Price — $5 per share. Proceeds — For working capital. Office—1507 M Street, N. W. Washington, D. C. Underwriter—None.

● Wellington Electronics, Inc. (6/22)
May 6 filed 240,000 shares of common stock (par 75 cents. Price—$6 per share. Proceeds—For repayment of a bank note; to complete the automation of the etched foil production plant at Englewood, N. J.; for manufacture of machines to be leased to capacitor manufacturers; and for working capital. Office — Englewood, N. J. Underwriter—Charles Plohn & Co., New York.

Wells Industries Corp.
May 14 (letter of notification) 66,600 shares of common stock (par 50 cents) to be offered for subscription by stockholders on the basis of one new share for each five shares held. Price—$3 per share. Proceeds—To develop two place lightweight gasoline driven golf carts and for working capital. Office — 6880 Troost Blvd., North Hollywood, Calif. Underwriter—None.

Wesco Financial Corp. (6/24)
June 1 filed 387,300 outstanding shares of common stock. Price—To be supplied by amendment. Proceeds — To selling stockholders. Business—Savings and loan holding company. Office—315 East Colorado St., Pasadena, Calif. Underwriters—Goldman, Sachs & Co., New York; and William Blair & Co., Chicago, Ill.

West End Bowl-A-Drome, Inc.
May 26 (letter of notification) preferred stock. Price—At par ($100 per share). Proceeds—For purchase of land; payment on construction of building and payment on purchase of equipment. Office — Oneida St., Oneonta, N. Y. Underwriter—None.

● Western California Telephone Co.
June 1 filed 44,729 shares of common stock, to be offered for subscription by stockholders of record June 17, 1959, at the rate of one new share for each three common, and one new share for each five shares of preferred stock held on that date. Rights expire on July 15. **Price**—$17.50 per share. **Proceeds**—Together with other funds, will be applied to the repayment of borrowings for construction and/or for additional construction in 1959. **Office**—15900 San Jose-Los Gatos Road, Los Gatos, Calif. **Underwriter**—None.

Western Wood Fiber Co.
March 5 filed 100,000 shares of common stock (par $10) and 40,000 shares of preferred stock (par $25). **Price**—At par. **Proceeds**—For construction and equipment of company's plant and for working capital. **Office**—300 Montgomery St., San Francisco, Calif. **Underwriter**—None.

★ White-Rogers Co.
May 28 filed $1,000,000 of convertible subordinated debentures due July 1, 1979. **Price** — To be supplied by amendment. **Proceeds**—To pay for part of the cost of constructing and equipping a new building in Affton, Mo. **Office**—1209 Cass Ave., St. Louis, Mo. **Underwriters**—Scherck, Richter Co., and Semple, Jacobs & Co., Inc., both of St. Louis, Mo.

● Will Ross, Inc. (6/11)
May 13 filed 88,512 shares of common stock (par $2.50). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—4285 North Port Washington Road, Milwaukee, Wis. **Business**—A domestic distributor of hospital supplies, equipment and furnishings. **Underwriter**—Blunt Ellis & Simmons, Chicago, Ill.

Worcester Gas Light Co. (6/18)
May 8 filed $5,000,000 of first mortgage sinking fund bonds, series C, due June 1, 1979. **Proceeds**—To be applied to the cost of the company's construction program, including $4,350,000 of advances for construction purposes by Worcester's parent, New England Gas & Electric Association. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blair & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Coffin & Burr, Inc. and Estabrook & Co. (jointly). **Bids**—To be received up to 11:30 a.m. (EDT) on June 18 at 10 Temple St., Cambridge, Mass.

● Worthington Products, Inc. (6/22-26)
May 8 (letter of notification) $150,000 of 7% convertible subordinated debentures due May 15, 1964 and 15,000 shares of common stock (par 25 cents) to be offered in units of $500 of debentures and 50 shares of stock. **Price**—$500 per unit. **Proceeds**—For advances to Nautilus, a subsidiary, for equipment and working capital; also for working capital of parent and molds and dies for new accessories. **Business**—To design and sell marine products and boating accessories. **Office**—441 Lexington Ave., New York, N. Y. **Underwriter**—B. Fennekohl & Co., New York, N. Y.

Wyoming Corp.
Nov. 17 filed 1,449,307 shares of common stock. Of these shares 1,199,307 are subject to partially completed subscriptions at $2, $3.33 and $4 per share; and the additional 250,000 shares are to be offered initially to shareholders of record Nov. 1, 1958, in the ratio of one new share for each 2.33 shares held on that date. **Price**—$4 per share. **Proceeds**—$300,000 will be used for payments on contract to purchase shares of International Fidelity Insurance Co.; $325,000 for capitalization of a fire insurance company; $500,000 for capitalization of a title insurance company; $500,000 for additional capital contribution to Great Plains Development Co.; and $300,000 as an additional capital contribution to Great Plains Mortgage Co. **Office**—319 E. "A" St., Casper, Wyo. **Underwriter**—None.

Prospective Offerings

Alabama Gas Corp.
May 21 it was announced that the company plans to issue $4,000,000 of first mortgage bonds. **Proceeds**—To pay construction costs. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co., Stone & Webster Securities Corp. and Kidder, Peabody & Co. (jointly); Salomon Bros. & Hutzler and Equitable Securities Corp. (jointly). **Offering**—Expected late August or early September.

Alabama Gas Corp.
May 21 it was announced that the company contemplates the issuance of 30,000 shares of preferred stock (par $100). **Proceeds** — To pay construction costs. **Underwriters**—May be White, Weld & Co., New York; and Sterne, Agee & Leach, Birmingham, Ala. **Offering**—Expected late August or early September.

★ Baird-Atomic, Inc.
June 19 stockholders will consider a two-for-one split of the common stock and an increase in the company's authorized shares to provide additional shares for a contemplated equity financing.

Bank of Commerce, Washington, D. C.
Feb. 26 stockholders of the Bank approved the sale of 2,000 shares of capital stock (par $100) to holders of record May 29, 1959, on the basis of one new share for each three shares held; rights to expire on June 30. **Price**—$150 per share. **Proceeds**—To increase capital and surplus.

Bank of Montreal
May 1, it was announced Bank is offering to its stockholders of record April 17, 1959 the right to subscribe on or before July 10, 1959 for 675,000 additional shares of capital stock on the basis of one new share for each eight shares held. **Price**—$32 per share, payable in 10 monthly installments from July 10, 1959 to April 8, 1960. **Subscription Agent**—Royal Trust Co., Montreal, Canada.

★ Benson Manufacturing Co., Kansas City, Mo.
June 10 it was announced that the company contemplates an offering of $4,500,000 of common stock. **Proceeds**—For expansion program and additional working capital. **Business**—The company is engaged in the manufacture of aircraft and missile parts, aluminum containers and beer barrels, aluminum curtain wall sections for the building industry and other proprietary products. **Underwriter**—S. D. Fuller & Co., New York.

● Big Apple Supermarkets, Inc.
June 2 it was announced that the company plans the issuance of 425,000 shares of common stock. **Proceeds**—To be used for expansion program and working capital. **Underwriter** — Simmons & Co., New York. **Offering**—Expected sometime during July.

● British Industries Corp.
May 12 it was announced sale of 75,000 shares of common stock is planned, of which half will be offered for the account of the company, and the remainder for the account of a selling stockholder. **Underwriter**—Emanuel, Deetjen & Co., New York. **Registration**—Expected on or about June 22.

Buckingham Transportation, Inc.
May 4 it was reported that the company is seeking early ICC approval for the issuance of 250,000 shares of class A common stock. **Underwriter**—Cruttenden, Podesta & Co., Chicago, Ill. **Offering**—Expected towards the end of June.

Central & Southwest Corp.
May 19 it was announced that the company in view of generally favorable market conditions, is now considering the sale of 350,000 or 400,000 shares of common stock. **Offering**—Expected sometime this Fall. **Underwriters** — To be determined by competitive bidding; Probable bidders: Blyth & Co., Inc. and Harriman Ripley & Co., Inc. (jointly); Lehman Brothers and Lazard Freres & Co. (jointly); The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Smith, Inc., jointly.

★ Chicago Burlington & Quincy RR. (6/18)
Bids will be received by the company on June 18 for the purchase from it of $7,200,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ Citizens National Bank, Los Angeles, Calif.
June 9 it was announced that the bank plans an offering of 210,000 additional shares of common stock (par $10) to its stockholders of record June 30, 1959, on the basis of one new share for five shares then held (after a 50% stock dividend); rights to expire on Aug. 3. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc., Los Angeles, Calif.

★ Consolidated Finance Corp.
June 8 it was reported that this company plans to issue and sell to residents of Indiana only, $800,000 of sinking fund debentures. **Underwriter**—City Securities Corp., Indianapolis, Ind.

Consolidated Natural Gas Co.
May 19, James Comerford, President, announced that company plans later in year to issue and sell $20,000,000 of debenture bonds, if market conditions are favorable. **Proceeds**—For investments, improvements, etc. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and The First Boston Corp. (jointly); White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly).

● Dilbert Properties (7/13-17)
May 15 it was announced that this company plans an offering of $4,506,500 of convertible debentures, together with an undetermined number of shares of common stock, to be offered in units. **Underwriter**—S. D. Fuller & Co., New York. Registration expected momentarily.

El Paso Natural Gas Co.
Stockholders voted April 28 to increase the authorized preferred stock to 1,000,000 shares from 472,229 shares, and the common stock to 25,300,000 shares from 20,300,000 shares. **Proceeds** — For major expansion program. **Underwriter**—White, Weld & Co., New York.

★ Extrudo-Film Co.
June 8 it was reported that this company, which is privately owned, plans public offering of 175,000 shares of common stock. **Business**—The company manufactures polyethylene film. **Office**—36-35 36th Street, Long Island City, N. Y. **Underwriter**—Maltz Greenwald & Co., New York. **Offering**—Expected sometime this Summer.

Georgia Power Co. (9/17)
Dec. 10 it was announced that the company plans to issue and sell $18,000,000 of 30-year first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., Kidder, Peabody & Co. and Shields & Co. (jointly); Lehman Brothers; The First Boston Corp.; Morgan Stanley & Co.; Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); Harriman Ripley & Co. Inc. **Registration**—Planned for Aug. 10. **Bids**—Expected to be received on Sept. 17.

● Hoffman Laboratories, Inc., Hillside, N. J.
June 2 it was reported that the company through a Regulation "A" filing plans an offering of 50,000 shares of common stock. **Price** — $6 per share. **Underwriter**—Myron A. Lomasney & Co., New York. **Registration**—Expected June 11-12.

Jersey Central Power & Light Co. (7/14)
Feb. 10 it was announced that the company is contemplating the sale of $8,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kidder, Peabody & Co.; Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly); Lehman Brothers and Blair & Co., Inc., (jointly. **Bids**—Expected to be received on July 14.

Kansas City Power & Light Co.
Dec. 29 it was reported that the company plans to issue and sell $20,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Equitable Securities Corp.; White, Weld & Co. and Shields & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Eastman, Dillon, Union Securities & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly).

Leeds Travelwear Corp.
May 19 it was announced that company plans some additional common stock financing. **Underwriter**—Auchincloss, Parker & Redpath, Washington, D. C. and New York.

Newark Electric Co. of Chicago
June 2 it was reported that company plans some financing. **Business**—Distributor of electronic parts. **Offering**—Expected in August or September.

North Hills Electric Co. (7/15)
June 2 it was announced that the company plans the issuance of 300,000 shares of common stock. **Price**—$1 per share. **Office**—Mineola, New York. **Underwriter**—Simmons & Co., New York.

★ Northrop Corporation (7/7)
June 1 it was reported that company is planning to sell $10,000,000 subordinated convertible debentures. **Underwriters** — William R. Staats & Co., Los Angeles, Calif.; and Blyth & Co., Inc., New York. **Registration**—Expected about June 15.

● Pan American World Airways, Inc.
May 26 authorized the company to offer up to $50,000,000 of convertible debentures. Stockholders would have pre-emptive rights to subscribe for these securities. **Proceeds**—For purchase of equipment, etc. **Underwriters** — May be Lehman Brothers and Hornblower & Weeks, both of New York.

Pennsylvania Electric Co. (8/4)
Feb. 10 it was announced that the company is planning the sale of $15,000,000 of first mortgage bonds. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co., Merrill Lnych, Pierce, Fenner & Smith Inc. and White, Weld & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc. and Blyth & Co., Inc. (jointly). **Bids**—Expected to be received on Aug. 4.

Public Service Co. of New Hampshire
April 22 it was stated in the company's annual report that it plans the raising of $13,250,000 from outside sources. This new money will come partially from short-term obligations but principally from permanent financing, the amount and type of which has not as yet been determined. **Proceeds**—To meet construction requirements for 1959.

Puget Sound Power & Light Co.
May 15, Frank McLaughlin, President, announced company plans to issue and sell first mortgage bonds later in the year. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. and Lehman Brothers (jointly); Merrill Lynch, Pierce, Fenner & Smith, Inc.; Stone & Webster Securities Corp.; The First Boston Corp. and Smith, Barney & Co. (jointly).

Southern Pacific Co. (6/24)
Bids will be received by the company on June 24 for the purchase from it of $6,000,000 of 15-year equipment trust certificates maturing annually from June 1, 1960 to 1974. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Speedry Chemical Products Co. Inc.
May 15 it was announced that the company plans an offering of 208,666 shares of common stock. **Underwriter**—S. D. Fuller & Co., New York. **Offering**—Expected during the second or third week in July.

Union Electric Co. (Mo.)
Feb. 23, J. W. McAfee, President, stated that the company plans to sell about $30,000,000 of additional common stock later this year through rights to common stockholders. **Proceeds**—For expansion program. **Underwriter**—May be determined by competitive bidding. Probable bidders: Lehman Brothers; White, Weld & Co., and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith, Inc. **Offering**—Expected toward the end of the second or third quarter of 1959.

★ Union Light, Heat & Power Co. (7/9)
June 9 it was reported that this Cincinnati Gas & Electric Co. subsidiary plans to offer and sell $6,000,000 of first mortgage 30-year bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey Stuart & Co. Inc.; White, Weld & Co.; Equitable Securities Corp.; Salomon Bros. & Hutzler; Morgan Stanley & Co. and W. E. Hutton & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on July 9.

Wayne Manufacturing Co., Los Angeles, Calif.
May 26 it was reported that this company plans a secondary offering of about 90,000 shares of common stock. **Proceeds**—To selling stockholders. **Underwriters**—Mitchum, Jones & Templeton, Los Angeles, Calif.; and Schwabacher & Co., San Francisco, Calif.

With Hall & Hall

FRESNO, Calif. — W. Price Robinson is now with Hall and Hall, Bank of America Building.

Mutual Funds

By ROBERT R. RICH

Is Inflation Necessary?

Just the other day, in an address before the American Medical Association, President Eisenhower advised that doctors could assist in the prevention of further depression of the dollar by holding their fees to a reasonable level. While this made a rather unusual peace of news, it is most noteworthy insofar as it indicates how far afield the President is taking his crusade against inflation. Just how successful this campaign may be is anybody's guess. Recent history does not offer much by way of real encouragement that it will be.

Mutual fund executives have lately been doing their part in combating dollar erosion by unburdening themselves of their thoughts on the matter in letters to shareholders. They have not always been statements of optimism. Observed one fundman, President Philip L. Carret of **Pioneer Fund, Inc.**: "For 20 years, from 1933 to 1953, the investing public viewed with almost complete indifference determined efforts to achieve inflation. After six years of at least modest efforts to combat inflation, most investors apparently accept the thesis that prices can move only in an upward direction."

A more temperate view is that of Emerson W. Axe, President of **Axe-Houghton Fund B, Inc.** In his semi-annual report for the period ended April 30, Axe touched on several important segments of the economy and pronounced them either quite strong or at least improved. "The domestic money market," Axe then noted, "is the principal uncertainty. The demand for business loans has increased and instalment loans have expanded. Member bank real estate loans are 12% higher than the 1956 peak. Efforts to prevent credit overexpansion are being partly offset by various government schemes for making low-cost loans available for various purposes considered worthy. . . . Member bank reserve requirements may be reduced but this would probably be inflationary although it might ease the money market temporarily."

Although it is difficult to believe that the inflationary trend can be halted overnight by scattered warnings from government officials, some fund executives believe that the hue and cry is at last making an impression on the consumer, that faceless and unaffiliated little man who needs most to be convinced,. This may well have been borne out by the broad, grass-roots drive into common stocks that has occurred over the past year and the adverse position in which bonds and other fixed-income investments have been assigned.

"It is encouraging to note," says **Hugh Bullock**, President of **Dividend Shares, Inc.**, "that not only are the Administration and the Congress aware of the inflationary problem, but that the man in the street also realizes its significance. As the experience of West Germany shows, prosperity can be gained without inflation. Although certain common stocks provide one of the best available safeguards against inflation, common stocks can show sound growth in an economy characterized by stable prices."

The lessons that may be learned from the West German economy are not, of course, entirely applicable. For one thing, there has not been such a sustained and often irresponsible demand for higher wages in West Germany as in the U. S. Nevertheless, it is probably comforting to nearly everybody on Wall Street to know that there is at least one country in the world where the flush of prosperity can be attained without running the national currency through a wringer.

The Mutual Funds Report

Keystone Growth Common Stock Fund, Series S-3, boosted its net asset value per share by 46% to $15.28 in the 12 months through April 30. There was a 17% increase in net assets per share during the last six months. As a result of these gains, the fund ended the period with totat net assets of $50,992,812 and now ranks fourth in size among the 11-fund Keystone group.

The most significant shift in the fund's holdings during the past six months involved the elimination of all aircraft-manufacturing securities and a build-up in air-transportation equities. Keystone S-3 disposed of 21,000 shares of Boeing and 12,000 shares of United Aircraft. At the same time, the fund increased its holdings in American Airlines by 12,000 shares and made new additions of 20,000 Eastern Air Lines and 16,100 United Air Lines. Other new additions were diversified, but predominantly electronics, oils, rubbers and papers.

At the close of Keystone S-3's April period, the portfolio consisted of 58 individual securities in 18 industries. The largest percentage was in the electric products field (12.9%). Other large holdings were in the steel (8.1%), oil and gas (7.9%), and paper and packaging (7.5%) fields.

* * *

Puritan Fund, Inc. extended its net assets by 84% to $66,998,088 and its net assets per share by 39% to 8.12 over the 12 months ended April 30. Shareholders increased from 16,500 to 19,900 and shares outstanding from 6,653,147 to 8,247,832 during the same period.

* * *

Axe-Templeton Growth Fund of Canada, Ltd., reporting for the fiscal year ended April 30, calculates its net assets at $4,270,581, or $30.37 a share, up from $2,928,841, or $20.62 a share, the previous April 30. Figured in U. S. dollars, net assets were $31.56 a share, up from $21.27 a share. The number of shares decreased from 142,064 to 140,623 during the year.

* * *

Lexington Trust Fund has announced a gain in net assets from $5,509,338, or $10.68 a share, to $6,525,830, or $12.50 a share, during the year ended April 30. Capital shares grew from 515,628 to 521,871 over the same period. The fund had assets of $6,142,919, or $11.74 a share, on Oct 31, 1958. Shares at that time numbered 523,321.

* * *

Two funds have reported sizable hikes in sales during the month of May. Gross sales of the **Broad Street Group** of mutual funds hit $5,137,000 in that month, a figure 230% greater than that of the corresponding month of 1958 and a sharp increase from the $4,874,000 tally of last April. President Milton Fox-Martin of Broad Street Sales Corp., national distributor for **Broad Street Investing Co., National Investors Corp.** and **Whitehall Fund, Inc.**, announces that total sales for the first five months amounted to $23,242,000, compared to $7,849,000 for the like period of 1958.

Meanwhile, E. Wain Hare, Vice-President of the **National Securities Series** of funds, disclosed that his group posted a record $6,800,059 in sales during May, a 51% increase from the May, 1958, level. Five-month sales for National Securities Series funds rose 30% to $38,946,269.

* * *

First Mutual Securities of America, Inc., principal distributor for **Nucleonics, Chemistry and Electronics Shares, Inc.**, has announced plans to acquire three established mutual funds. They are **Corporate Leaders Trust Fund** ($44,500,000 assets), **Lexington Trust Fund** ($6,500,000 assets) and **Lexington Venture Fund** ($3,700,000 assets). The deal will be accomplished through purchase of 91% of Renyx, Field & Co., current sponsor of the funds. Renyx, Field has 400 retail representatives in 23 states. The three funds have a total of 28,000 shareowners.

* * *

During the twelve months ended May 31, **Niagara Share Corp.** brought its net assets up from $45,443,228, or $25.21 a share, to $63,342,975, or $35.14 a share. The calculations are based on the same number of capital shares at the end of each period.

* * *

The Colonial Fund, Inc., including $3,800,000 in assets of the Bond Investment Trust of America, registered an all time high of nearly $76,000,000 in assets as of last April 30. Net assets per share rose 11% to $11.00 in the latest six months. A notable portfolio addition during the latest quarter was 12,000 shares of James Talcott, Inc.

* * *

The One William Street Fund, Inc., celebrating the first anniversary of the continuous sale of its shares through William Street Sales, Inc., has announced that total net assets at May 31 were $290,374,147, equal to $13.72 per share. One year ago, assets totaled $221,216,128, equal to $11.56 per share. The fund, sponsored by Lehman Brothers, 108-year-old investment banking firm, first filed its registration statement on April 7 ,1958 for a public offering of 3,000,000 shares. This was increased first to 7,000,000 and finally to 16,000,000 shares—the largest initial underwriting in the history of the investment-company business.

When One William Street Fund began its sales operations, it ranked eleventh in size among the 144 member units of the National Association of Investment Companies. Currently there are 156 open-end companies which are members of the association, and One William Street is the ninth largest among the group.

Dorsey Richardson, President of the fund, reports that One William Street had 23,491 continuous investment and dividend reinvestment plans in operation as of May 31.

Plan Based on New Variable Annuity Concept Presented

A unique variable annuity package, combining equity investments and annuity benefits, said to be designed to protect families against the hazards of inflation as well as deflation and against economic loss resulting from the death of the family breadwinner, was announced by T. Coleman Andrews, President and Board Chairman of Fidelity Bankers Life Insurance Corp. of Richmond, Va.

Mr. Andrews said the package includes an ordinary life insurance policy which, in addition to the regular death benefits, provides income at time of retirement and shares in a mutual fund (Fidelity Variable Stock Fund, Inc.) which was established under the auspices of Fidelity Bankers Life and is registered with the Securities and Exchange Commission.

His company, he pointed out, is not concerned with the recent Supreme Court decision concerning variable annuities, since the plan operates under the SEC regulations, as well as the State regulatory authorities. "After all," he added, "the variable annuity is

an equity investment and we do not condone its sale as an insurance policy."

Mr. Andrews admitted there could be no guarantee beyond the built-in insurance values that any particular income would be derivable from the mutual fund portion of the investment and that, since it consisted of holdings in equity securities, the value of these shares could fluctuate on the downside as well as on the upside, since their value depended on the market value of the underlying investments. He was confident, however, that given a wise selection and wide diversifications, these investments would reflect such values as over a period would characterize American enterprise.

The package is not a "group" plan in the usual life insurance sense, he explained. It is available to employees on an individual and voluntary basis and under sponsorship of a corporation or a group there can be set up a payroll-deduction procedure to facilitate employee participation in the plan.

"The package, designed as the MIDAS (Mutual Investments Designed as Security) plan, is very attractive from a cost basis," Mr. Andrews said. Some of the features are:

(1) Since Fidelity Bankers Life organized the fund for the benefit of its policyholders, the mutual fund has no sales load and no commissions are paid for the purchase of shares. A quarterly fee of ⅛ of 1% to meet certain of the costs of administration that are necessarily incurred by the management organization (Fidelity Management Company) is imposed.

"Our business is life insurance and this is merely a tool to help us serve our policyholders better," Mr. Andrews said. This mutual fund invests exclusively in common stocks with emphasis on growth potential as a hedge against inflation. Ownership of shares in the fund is offered exclusively to policyholders of Fidelity Bankers Life.

(2) Life Insurance—While premiums may be paid monthly, if paid by payroll deduction or preauthorized check plan, each purchaser receives the benefit of an annual rate thus saving 6% to 8% of his monthly life insurance premium. While the insurance offered is not group insurance, if employer-sponsored, group underwriting principles are applied which avoid medical examination and penalties for more hazardous occupations. Policy offers the privilege of converting mutual fund shares to a fixed annuity at retirement.

Fidelity Bankers Life currently ranks among the first 25% of the nation's some 1,200 life companies and passed the $100,000,000 mark in insurance in force last year. In 1958, ordinary life in force increased 108% and group went up 31%. The company, according to Mr. Andrews, is bettering both of these gains in 1959.

The company is licensed to sell life insurance in Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, North Carolina, South Carolina, Tennessee, Virginia and West Virginia. It is now seeking to extend its operations in Ohio and Pennsylvania.

Our Reporter's Report

Now that President Eisenhower has formally put before the Congress his proposals on Treasury interest rates and the national debt limit, there should be some clearing of the investment skies.

True, we probably still face considerable discussion in Congress since the opposition party certainly is bound to attempt to make what political capital it can of the situation, but at least we have moved out of the conjecture stage and into reality.

Most people look upon favorable action on the proposed temporary boost in the debt limit to $295 billion as assured. But there is some disposition to anticipate that Congress will balk at leaving the ceiling upon on interest rates.

On that score, it seems sentiment is pretty much the same in the market place. The theory, it appears, is that by leaving the interest rate free, the tendency might be for the market to expect even more generous treatment from time to time with consequent effect on yield levels generally.

But, if the Treasury market is giving any cue, it appears to be that things should settle at least for a spell with a bit more stability marketwise. Feeling among some observers is, however, that the corporate market may ease a mite more, that is yields may rise a little further from current levels.

Buyers in Command

Much will depend, of course, on the relationship of supply and demand in the high-grade corporate market in the months ahead. There is no gain saying the fact that industry will be in the market for substantial amounts of new debt capital through the balance of the year.

And institutional investors, well aware of how things shape up on that score, naturally are not going to be rushed into absorbing such new securities unless they fell the terms are attractive.

Once again, it appears, buyers are in command of the market and borrowers must sweeten their prospective offerings in order to attract demand.

Looking the Field Over

With long-term Treasury obligations selling at prices generally affording yields of 4.25 to 4.30%, some people feel that we may see a 4.40% to 4.50% yield basis in that part of the investment field.

Figuring that top-flight corporates, to be in more or less normal relation with the Government list, should average 50 to 60 basis points higher in yield, these same market observers look for a 5¼% to 5½% return basis for such issues.

Top quality bonds of recent vintage like the recent Consolidated Edison Co. of New York and Public Service Electric & Gas issues are around a 5% basis in current trading.

Thin Fare Again

The upcoming week offers little more in the way of corporate new issue volume than brought forth during the current period. Once again the Monday calendar is heavy, but only with "prospects." Few are likely to materialize at this time.

Tuesday could bring an offering of 400,000 shares of new common stock for Reichhold Chemicals Inc., and the following day bids will be opened for $10 million bonds of United Gas Improvement Co., and $4.5 million bonds of St. Joseph Light & Power Co.

On Thursday, Worcester Gas Light Co. is due to look over banking tenders for its $5 million of new bonds. writing finis to another slow period.

Public Utility Securities

By OWEN ELY

Boston Edison Company

Boston Edison serves the city of Boston and adjacent areas, with a total population of 1,444,000. Revenues are mainly electric, with about 4% from steam and miscellaneous services. Industrial revenues are relatively small at 19%; residential is 36%, commercial 35% and sales to other utilities 12%. Of the industrial revenues textiles now contribute only 5%, while other industries make the following contributions:

Metal Products	16%
Electronics	14
Food Products	13
Paper and Printing	11
Rubber	10
Chemicals	4
Scientific Instruments	4
Shipbuilding	4
Miscellaneous	19

There was a substantial increase in air-conditioning installations last year and the summer peak load in the downtown business section of Boston exceeded the winter peak for the first time.

While New England has been losing the textile and related industries which traditionally formed the industrial backbone of the State, it has gained ground substantially in newer and more modern industries. The electronics industry, centered in the Boston area, is the fastest growing business in New England. New developments in the fields of nucleonics, metallurgy and chemistry are also contributing in a substantial way to improvement of the economy. At the recent dedication of a new RCA laboratory, President Burns of RCA, said: "We found in the Greater Boston area the most impressive concentration anywhere of advanced technological educational facilities and talents." This concentration includes some of the world's greatest research laboratories, in which scientists are opening new frontiers of discovery and invention; research itself has become a major industry in the area.

Boston Edison expects growth of its business to continue barring unforeseen contingencies. Kwh sales are expected to increase over the next five years at an average rate of about 7% per annum, and peak loads at nearly the same rate; the gain in revenues would be slightly less, it is estimated, allowing for promotional rates. Construction expenditures appear likely to increase at an average rate of 10% during 1959-61 (in connection with two 125,000 kw units to be installed in 1959 and 1961) but probably will remain around the $40 million level in 1962-3. The credit for interest on construction is estimated at 33¢ a share this year compared with 21¢ last year, and during 1960-3 will probably range between 27-37¢, it is estimated.

Last year capability was 1,082,000 kw compared with the peak load of 916,000 kw. Unit 4 had an annual heat rate of only 9,683 btu per kwh. Unit 5 at Mystic Station, a 145,000 kw duplicate of Unit 4, will be completed in the late summer of 1959, and construction has started on Unit 6, with completion scheduled for 1961. When Unit 6 is completed, Mystic Station will have a capability of 612,000 kw and system capability will be 1,372,000 kw.

As a result of the new Unit 4 at Mystic Station, which went into operation in December, 1957, system fuel economy was improved 5% in 1958. Equipment was installed at Edgar Station for the purpose of burning natural gas when it is available on an economical basis. For a number of years the company has been in a position to use coal or oil alternately as the prices of these fuels fluctuate.

Boston Edison is making use of the scientific facilities of the area and is one of the first utilities in the country to install a large-scale computer; the year 1958 was devoted to its installation and training of personnel. A smaller digital computer has been placed in operation at the System Despatchers' headquarters and the company also operates a network analyzer which provides data for planning the growth of the transmission system.

In May, 1958, the Massachusetts Dept. of Public Utilities ruled that the company was entitled to a 5.53% return on a rate base consisting mainly of net plant investment. The company received an electric rate increase of about $2,250,000 effective in June, enabling the company to improve its rate structure and reduce the number of schedules from 17 to 12. As of Nov. 1, steam rates were increased by an annual $170,000. The two increases together would approximate 42¢ per share per annum (after taxes). The company's rate schedules contain a fuel adjustment clause.

The company sold $25 million preferred stock last July on a yield basis of less than 4.70%. Since the company has a relatively high equity ratio (about 43%) no common stock financing appears likely this year.

The company was not much affected by the recession in the first half of 1958. Residential revenues last year gained nearly 7%, commercial 6.7% and industrial 4.8%. Share earnings, with the help of the mid-year rate increase, were $3.55 compared with $3.12 in 1957. Unlike some other New England companies, Boston Edison normalizes the tax savings from accelerated depreciation; if "flow through" were used 1958 earnings would have been larger (the exact amount is not available).

Boston Edison sold recently around 63½ and based on the $2.80 dividend yields 4.4%. Share earnings for the 12 months ended March 31 are estimated (on the basis of the quarterly statement showing $1.18 vs. $1.05) at $3.68. On that basis the stock is selling at 17.3 times earnings.

Boston Edison has been holding up better marketwise than many other utility issues recently, the closing price June 5 being 63⅝ compared with this year's range of 66¼-59 and last year's 60¼-48⅛.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Although there appears to be a legislative scrap shaping up, it is unlikely that Congress will turn down the Eisenhower Administration's three-way request to raise interest rates on savings bonds, abolish the 4¼% restriction on other Government securities, and increase the national debt ceiling.

The action of the White House and the Treasury Department in sending separate messages to Capitol Hill was not even a mild surprise, but it it immediately touched off some criticism by some Democrats of the Eisenhower Administration.

Something has to be done about increasing the interest rate on the E and H savings bonds. Because savers have been cashing in their bonds at a marked clip, the Treasury's loss for the first five months of the 1959 calendar year is $309,000,000 as compared to the first five months of 1958. In other words the Treasury department is in the hole that much from January 1, 1959, to May 31, 1959, as compared with the corresponding period last year.

Increasing the interest rate on the savings bonds from 3¼% to 3.75% per annum when held to maturity is expected to curb the cash-ins. However, even at the stepped-up rate of cash-ins the Treasury Department records show that the average savings bond is held for seven years, longer than other types of savings such as mutual banks and building and loan associations.

Patman Blasts Move

Rep. Wright Patman, Democrat of Texas, one of the leading members of the Joint Economic Committee members of Congress, sharply assailed the Administration proposal to raise interest rates. He declared that Congress is being asked to repeal a law enacted in Woodrow Wilson's Administration to lift the 4¼% ceiling on Government securities.

The Texan, an opponent of high interest on borrowing, declared that there is no valid excuse for raising the interest rates "except to give the bankers and big money lenders a larger share of the national income."

Numerous Democrats, however, would not go along with Representative Patman. Perhaps Representative Richard M. Simpson of Pennsylvania, senior Republican on the House Ways and Means Committee, best hit the legislative nail on the head. Said he: "The necessity of increased interest rates is a very strong argument for more careful spending and should emphasize the Administration's honest effort to live within its income."

Several colleagues of Representative Bruce Alger of Texas, one of the handful of Southern Republicans in the House, agree that "raising the interest rate (as proposed) is the result, not the cause, of big government spending . . ."

Byrd's Views

The "watchdog" of the Treasury, Virginia's Senator Harry F. Byrd is not pleased over the requests of President Eisenhower and Treasury Secretary Robert Anderson to raise the debt ceiling. The senator from the Old Dominion State says that never before in the peacetime history of this Nation have three debt ceiling increases been requested in 16 months.

In February 1958 the debt ceiling was raised from $275 billion to $280 billion. In September 1958 it was raised $13 billion from $275 billion to $288 billion, and now Congress has before it a request to boost it by $7 billion to a total of $295 billion.

Senator Byrd made an observation that all fair-minded students of government must concur in. He observed: "No thoughtful person can deny that we are facing a perilous fiscal situation. The solution does not lie in increasing the debt . . . The only sane solution . . . is to start reducing Federal spending which is in excess of revenue . . ."

It is already costing $8 billion a year in interest on Government obligations. The Treasury plans to ask Congress to raise the amount another half-billion dollars for the 1960 fiscal year starting July 1.

Meantime, the Government bond market is depressed, and there is nothing to indicate that the situation is going to improve at the present interest rates offered on the obligations. Neither is there any indication that the cost of borrowing money is going to decline any time soon.

A Treasury Department spokesman said the fact that the Department is asking that the interest rate on bonds be lifted does not necessarily mean that the Department will issue long term bonds. Issuance of intermediate and long term bonds presumably will be done when the opportunity and the market is ready to absorb them.

Paying of higher interest rates by the Federal Government means of course that municipalities, counties, and states will have to pay higher interest rates on the future. Obviously, Federal Government rates affect corporation bonds as well.

The Political Aspect

If Congress raises the interest rate on savings bonds the 42,500,000 Americans now holding them would begin drawing a higher rate retroactive as of June 1. For instance the holders of H bonds six months from June 1 would receive the benefits of the increased rate.

From all indications the pro and con debate on the interest rate and debt ceiling issues will bring out some hard-hittting statements. Even before the President's message to Congress, Representative Gerald T. Flynn, Democrat of Wisconsin, took the floor to lambast the Eisenhower administration. He charged the "inflation scare" raised by the Administration was an attempt to divert attention from the "biggest conspiracy of big bankers and big business in history."

His charges appeared to be interwoven with politics. Certainly the more conservative Democrats like Senator Byrd or Representatives Howard W. Smith of Virginia and William M. Colmer of Mississippi do not believe there is a conspiracy of big bankers and big business to raise the interest rates."

There are some members of Congress who are beating the drums for the Federal Reserve Bank to step in and start supporting the government bond market to prevent them from selling at a discount.

Seek Data on Treasury Debt

Meantime, there is no doubt but the Treasury Department has its fiscal headaches. The debt of Uncle Sam outside the debt ceiling range is huge and it is growing by leaps and bounds. To provide a better understanding of this indebtedness, Senator Leverett Saltonstall, Republican of Massachusetts, and Senator Byrd have introduced a bill that would require the Secretary of the Treasury to make regular reports of the financial obligations of the United States.

These reports would include direct and guaranteed debt, indirect and contingent debt, contractual commitments and authorized but uncommitted appropriations. The direct and guaranteed debt of the United States, most of which is subject to the debt ceiling, is already now regularly reported at various times and in various forms by the Treasury Department, as Senator Saltonstall pointed out.

On the other hand there is no regular reporting of the government's indirect and contingent debt. These categories of Federal obligations and spending have grown at a marked rate over recent years. There should be a convenient, regular and comprehensive means of keeping informed about them.

"Not the Whole Story"

Senator Byrd for years has been pointing out that the direct and guaranteed debt of the United States Government, subject to the public debt ceiling, does not tell the complete story of this country's debt. He pointed out that numerous Federal agencies and corporations have been authorized to issue their own obligations.

Some of these obligations are guaranteed by Uncle Sam and some are not. Nevertheless, purchasers of both types are of the opinion that both types are backed by the government. Numerous guarantees have been made on housing and other mortgages; the Federal Deposit Insurance Corporation insures bank deposits, G. I. Life Insurance insures the lives of soldiers and veterans.

Each of these programs and numerous other similar programs are reported to Congress at intervals. However, they are never reported simultaneously in order that Congress and the American people may be fully aware of the impact that they may have on the debt structure.

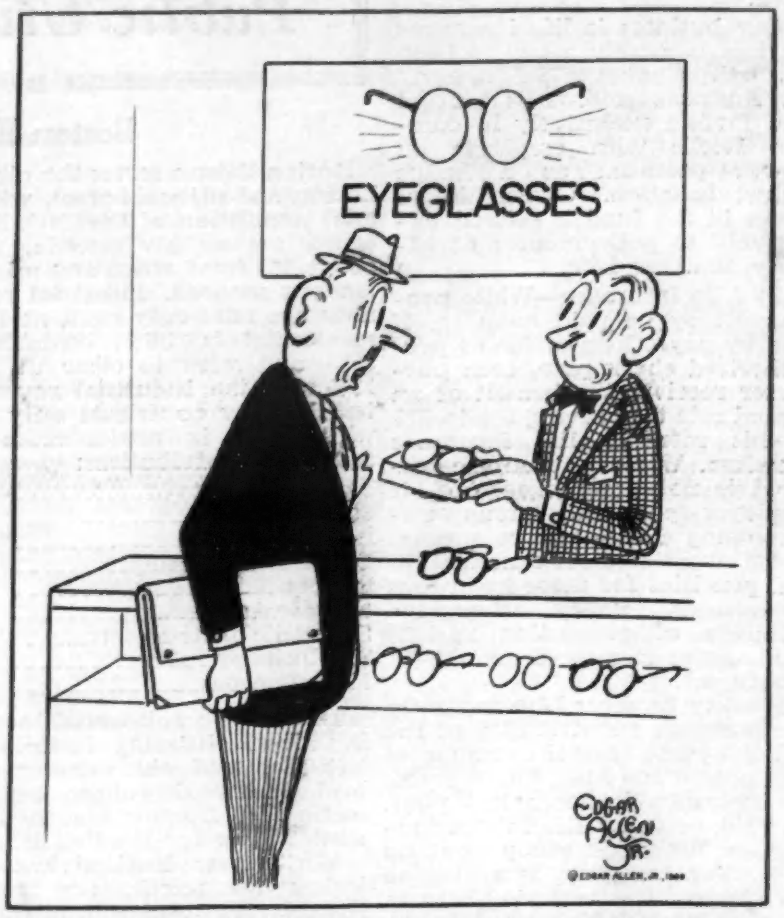
The Saltonstall-Byrd bill calls for the reporting by the Secretary of the Treasury of the payments which the United States may be legally or morally obligated to make under all such programs. It also calls for an estimate by the Secretary of the financial risks inherent in such programs.

"Under present laws," said the tall Massachusetts senator, "we have easier access to information about the obligations of many private corporations than we have about the obligations of the Federal Government. Corporations which want to raise money from the public must publicly disclose to the Securities Exchange Commission all their contingent liabilities and future spending. The purpose of such disclosures is to inform investors of the risks which they face.

"Since we are all necessarily investors in the Federal Government, we should be as readily informed about its obligations and future spending programs."

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ



"I want a pair for viewing the stock quote board—do you have anything rose colored?"

COMING EVENTS

In Investment Field

June 8-11, 1959 (Alberta, Canada) Investment Dealers' Association of Canada annual convention at Banff Springs Hotel.

June 11, 1959 (Boston, Mass.) Boston Securities Traders Association summer outing at the Salem Country Club.

June 12, 1959 (Los Angeles, Calif.) Bond Club of Los Angeles annual Field Day at the Oakmont Country Club.

June 12, 1959 (New York City) Municipal Bond Club of New York Summer outing at Westchester Country Club, Rye, N. Y.

June 12, 1959 (New York City) Corporation Bond Traders Club of New York annual outing at the Nassau Country Club, Glen Cove, L. I., N. Y.

June 12, 1959 (Philadelphia, Pa.) Investment Traders Association of Philadelphia Summer outing at the Overbrook Country Club.

June 18, 1959 (Minneapolis-St. Paul, Minn.) Twin Cities Bond Club 38th annual picnic and outing at White Bear Yacht Club, White Bear Lake, Minn. (preceded by a cocktail party June 17 at the Nicollet Hotel, Minneapolis).

June 19, 1959 (Bryn Mawr, Pa.) Philadelphia Securities Association annual outing at the Overbrook Golf Club, Radnor Township.

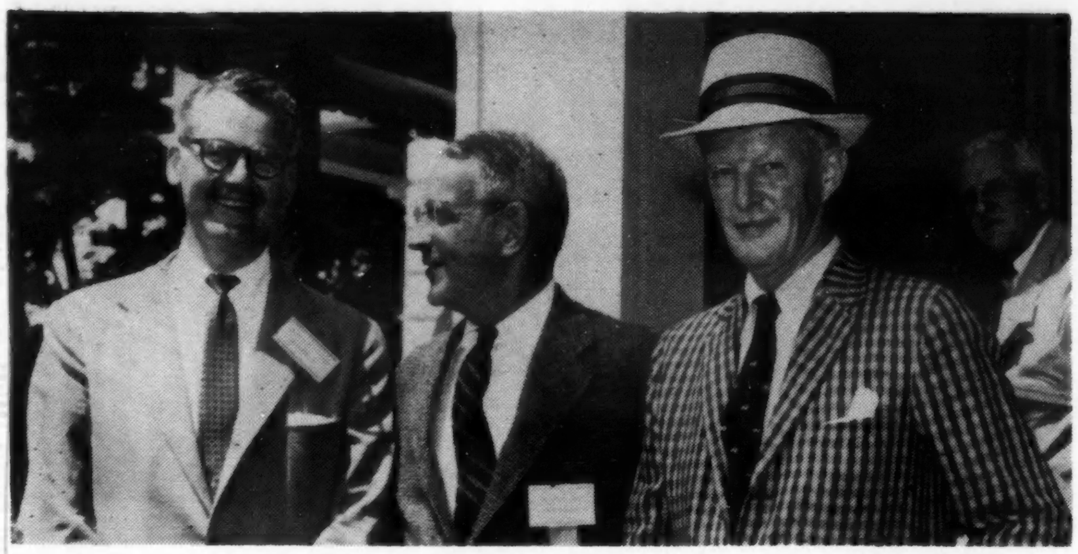
June 19, 1959 (New York City) Investment Association of New York annual outing at the Tuxedo Club, Tuxedo Park, N. Y.

June 19, 1959 (Pittsburgh, Pa.) Bond Club of Pittsburgh annual Spring Outing at the Longue Vue Club.

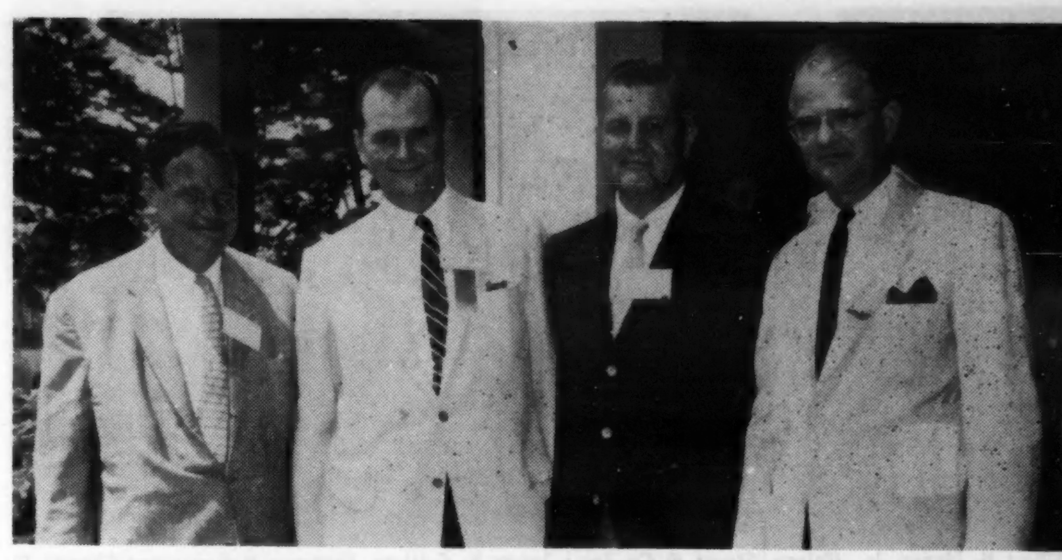
June 25-27, 1959 (Hyannis, Mass.) Consumers Bankers Association Atlantic States Sectional meeting, Wianno Club.

June 26, 1959 (Detroit, Mich.) Bond Club of Detroit annual summer outing at the Essex Country Club, Essex, Ont., Can.

Bond Club of New York



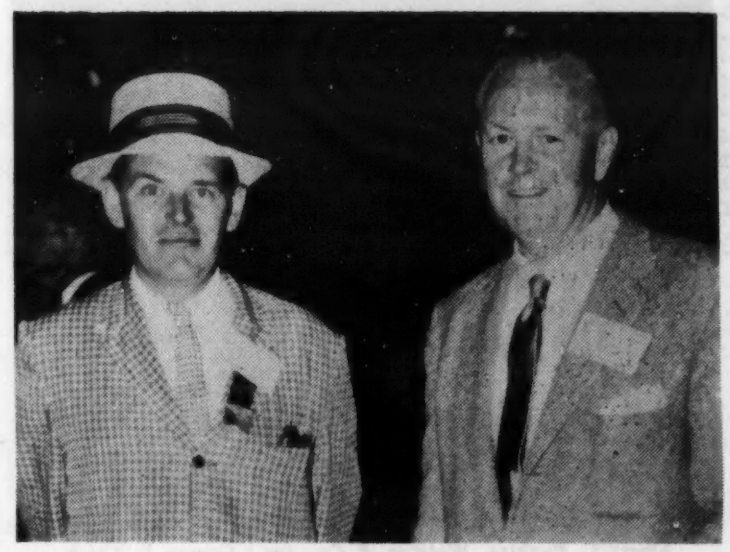
Raymond D. Stitzer, *White, Weld & Co.*, incoming Vice-President; Harold H. Cook, *Spencer Trask & Co.*, retiring President; William B. Chappell, *First Boston Corporation*, incoming President.



Macrae Sykes, *Shields & Company;* Orland K. Zeugner, *Stone & Webster Securities Corporation;* Emil J. Pattberg, *The First Boston Corporation;* Allen J. Nix, *Riter & Co.*

William E. Hutton, *W. E. Hutton & Co.;* Thomas H. Choate, *White, Weld & Co.*, winners of Ex-President's Cup for Low Gross

Julius H. Sedlmayr, *Merrill Lynch, Pierce, Fenner & Smith, Inc.;* Malon S. Andrus, *Malon S. Andrus, Inc.*



Norman de Planque, *W. E. Hutton & Co.;* Belmont Towbin, *C. E. Unterberg, Towbin Co.*

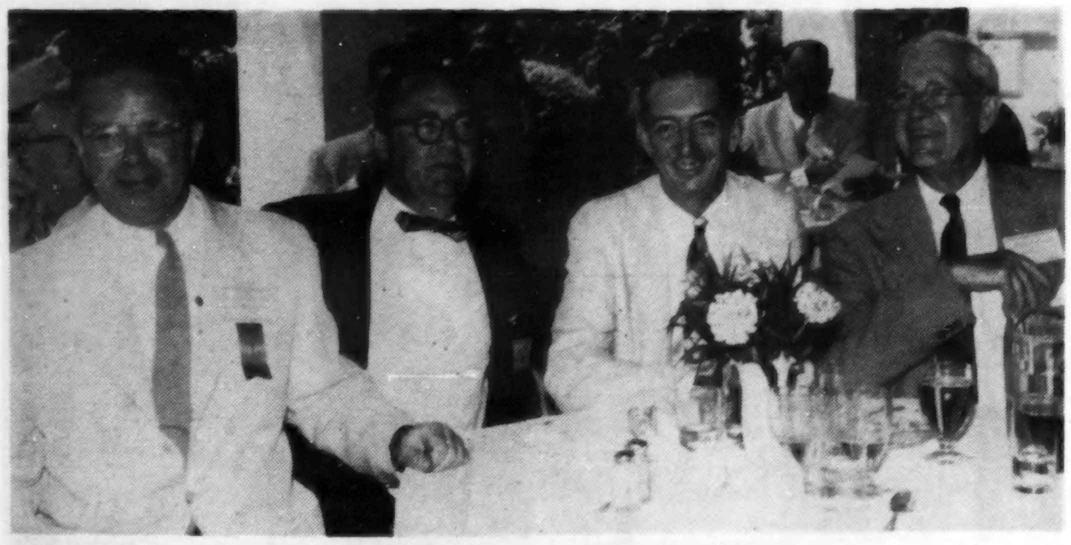
Paris Scott Russell, *Glore, Forgan & Co.;* Emmons Bryant, *Blair & Co., Incorporated;* Clarence W. Bartow, *Drexel & Co.;* Edward Glassmeyer, *Blyth & Co., Inc.*

Avery Rockefeller, Jr., *Dominick & Dominick;* Philip K. Bartow, *Drexel & Co.*, newly elected Treasurer; Robert H. B. Baldwin, *Morgan Stanley & Co.;* Earl K. Bassett, *W. E. Hutton & Co.*

Robert J. Lewis, *Estabrook & Co.;* Ernest W. Borkland, Jr., *Tucker, Anthony & R. L. Day;* Sydney G. Duffy, *Blyth & Co., Inc.;* David J. Lewis, *Paine, Webber, Jackson & Curtis;* Blancke Noyes, Hemphill, Noyes & Co.

Maitland T. Ijams, *W. C. Langley & Co.*, Chairman of the Publication Committee of the *Bawl Street Journal* (over 50,000 copies sold); Edwin L. Beck, *Commercial & Financial Chronicle*

35th Annual Field Day



Albert B. Hager, Jr., *Halsey, Stuart & Co. Inc.;* James F. Colthup, *Freeman & Company;* Charles L. Bergmann, *R. W. Pressprich & Co.;* Dwight S. Beebe, c/o *Freeman & Company*

Egerton B. Vinson, *De Haven & Townsend, Crouter & Bodine;* Allan C. Eustis, Jr., *Spenser Trask & Co.;* George P. Rutherford, *The Dominion Securities Corporation*

Albert C. Purkiss, *Walston & Co., Inc.;* George E. Clark, *Adams Express Co.*

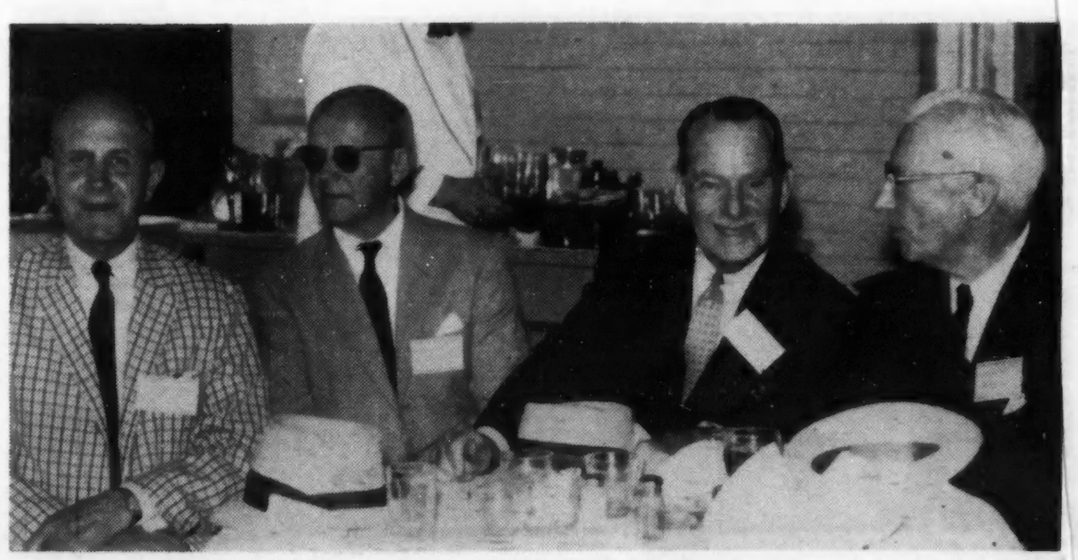
J. Raymond Smith, *Weeden & Co.;* Kenneth J. Howard, *J. A. Hogle & Co.*

Edward L. Holsten, *Salomon Bros. & Hutzler;* Benjamin J. Levy *Salomon Bros. & Hutzler*

Arthur H. Kiendl, *Morgan Guaranty Trust Company;* William G. Nagle, *Discount Corporation of New York;* William W. Pevear, *Irving Trust Company;* Robert E. Broome, *Morgan Guaranty Trust Company;* J. Bradley Green, *Morgan Guaranty Trust Company*

Wendell R. Erickson, *Stone & Webster Securities Corporation;* Robert G. Dillon, *Dean Witter & Co.* Elliott Bliss, *Morgan Stanley & Co.;* H. Lawrence Parker, *Morgan Stanley & Co.;* Lincoln J. Patton *Halsey Stuart & Co., Inc.*

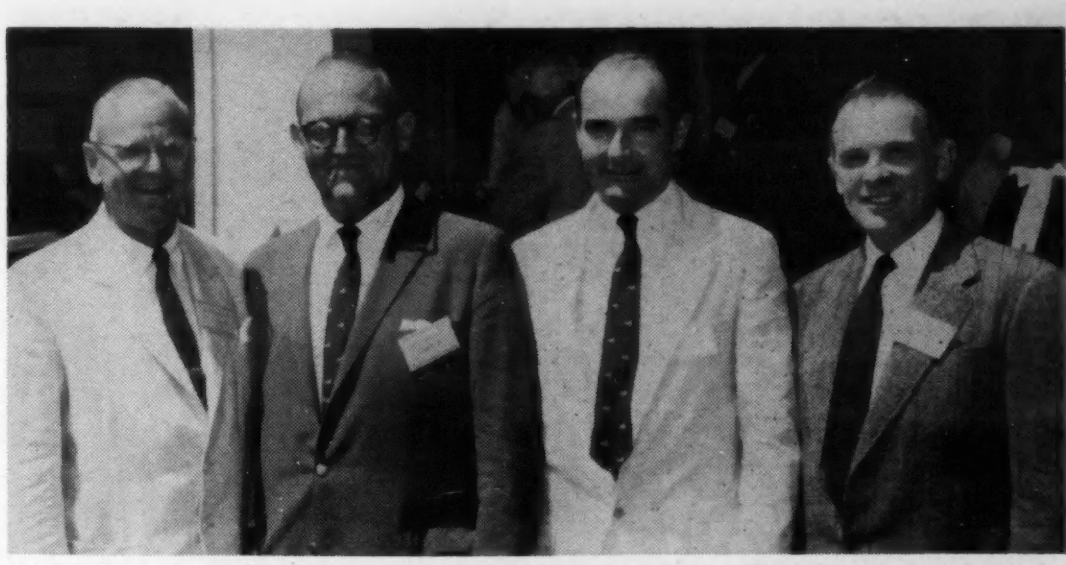
Harold L. Bache, *Bache & Co.;* Austin H. Patterson, *The First Boston Corporation;* Joseph D. Croll, *Asiel & Co.;* E. Bates McKee, *Bache & Co.*



Austin Brown, *Dean Witter & Co.;* Edward K. Van Horne, *Stone & Webster Securities Corporation;* Paul F. Hay, *W. C. Langley & Co.;* Clifford Hemphill, *Hemphill, Noyes & Co.*

June 5, 1959

James F. Burns, Jr., *Harris, Upham & Co.;* Percy M. Stewart, *Kuhn, Loeb & Co.;* Paul G. Devlin, *Blyth & Co. Inc.;* David L. Skinner, *Harriman Ripley & Co., Inc.*



G. H. Walker, Jr., *G. H. Walker & Co.;* Orin Tuck Leach, *Estabrook & Co.;* Julian D. Fairchild, *Discount Corporation of New York;* James J. Lee, *W. E. Hutton & Co.*

William M. Cahn, Jr., *Halle & Stieglitz;* J. Hindon Hyde, *Halle & Stieglitz*

F. Donald Arrowsmith, *Van Alstyne, Noel & Co.;* James D. Casey, Jr., *A. C. Allyn & Co., Incorporated*

Walter C. Veigel, *Halsey Stuart & Co., Inc.;* Francis A. Cannon, *First Boston Corporation*

Allen C. Du Bois, *Wertheim & Co.;* V. Theodore Low, *Bear, Stearns & Co.;* Edward H. Ladd, *First Boston Corporation;* Gustave L. Levy, *Goldman, Sachs & Co.;* Lewis R. Bulkley, *First Boston Incorporated*

Eugene G. McMahon, *J. Barth & Co.;* E. Jansen Hunt, *White, Weld & Co.;* Robert A. Don, *Granbery, Marache & Co.;* Charles M. Litzsel, *White, Weld & Co.;* Gustave A. Alexisson, *Granbery, Marache & Co.*

Oliver J. Troster, *Troster, Singer & Co.;* B. Winthrop Pizzini, *B. W. Pizzini & Co., Inc.;* Hubert F. Atwater, *Wood, Walker & Co.;* Ambrose W. Benkert, *A. W. Benkert & Co., Inc.*

Robert D. Allen, *Alex. Brown & Sons;* John C. Dillon, *Harriman Ripley & Co., Incorporated;* Charles F. McManus, *Harriman Ripley & Co. Incorporated*

Over 500 In Attendance

Dudley F. Cates, *Kidder, Peabody & Co.;* Joshua A. Davis, *Blair & Co. Incorporated;* C. Edward Grafmueller, *Pyne, Kendall & Hollister*

Ernest J. Altgelt, Jr., *Harris Trust & Savings Bank (New York);* David H. Callaway, Jr., *First of Michigan Corporation;* Edwin Fullarton Peet, *Burns Bros. & Denton, Inc.*

Lucky Traders All

George E. Nelson, *Gregory & Sons;* Philip W. Carrow, Jr., *Harriman Ripley & Co., Inc.;* Dudley F. King

John Wilson Dayton, Jr., *Clark, Dodge & Co.;* Proctor Winter, *Harriman Ripley & Co. Incorporated;* William N. Bannard, *American Securities Corporation;* Norman W. Stewart, *F. S. Smithers & Co.*

Richard N. Rand, *Rand & Co.;* Thorburn Rand, *Rand & Co.*

Frederick S. Wonham, *G. H. Walker & Co.;* William W. Sellew, Jr., *G. H. Walker & Co.;* James F. Keresey, *Baker, Weeks & Co.*

Charles F. Morgan, *Morgan Stanley & Co.;* Lloyd B. Hatcher, *White, Weld & Co.;* James G. Gouffer, *Drexel & Co.;* Clifton A. Hipkins, *Braun, Bosworth & Co., Inc.*